



Topps Tiles
READYMIX WATERPROOF FOR WALLS
CREAM
READY MIX WATERPROOF Wall Tile Adhesive

- Extra Strong Bond
- Non-Slip
- Suitable for power showers

SUITABILITY: Ceramic

Topps Tiles

Interim results for the 26 weeks ended 30 March 2013





Matt Williams – Chief Executive Officer



Rob Parker – Chief Financial Officer

Matthew Williams
Chief Executive Officer

Highlights

- Total revenues of £87.4m, an increase of 0.9%
- H1 LFL sales of -0.2%
- #1 goal remains to take profitable market share – now 27+% (2012: 26%)
- Net promoter score 91% (2012: 90%)
- Adjusted profit before tax of £4.7m (2012 : £5.6m)
- Self-help and cost saving initiatives implemented from Q2
- Interim dividend – 0.5 pence per share (2012: 0.5 pence)





- Customers are increasingly focussed on inspiration and quality
- Trends continue towards larger formats, porcelain and ink jet technology
- Sources of competitive advantage include:
 - Broadest range – 5,500 items, core range of 3,000, 800 in stock
 - Product innovation is key – 20% of range refreshed annually
 - New range launched on average every week
 - Specialist buying team and operational flexibility drives short lead times to market
 - Exclusive ranges and development of in-house brands



Business Strategy

Customer Service

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- Strategy continues to focus on engaging our people to inspire our customers with their home improvement projects
 - Staff engagement score of 74%
 - Customer service and satisfaction scores remain very high
 - Service remains key differentiator – hard for competitors to imitate
- Service increasingly focussed on helping our customers with design, style & trends
- Inspiration also key to trade, in addition to local in-store relationships, technical support and stock availability



Business Strategy

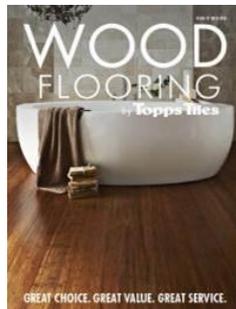
Locational Convenience

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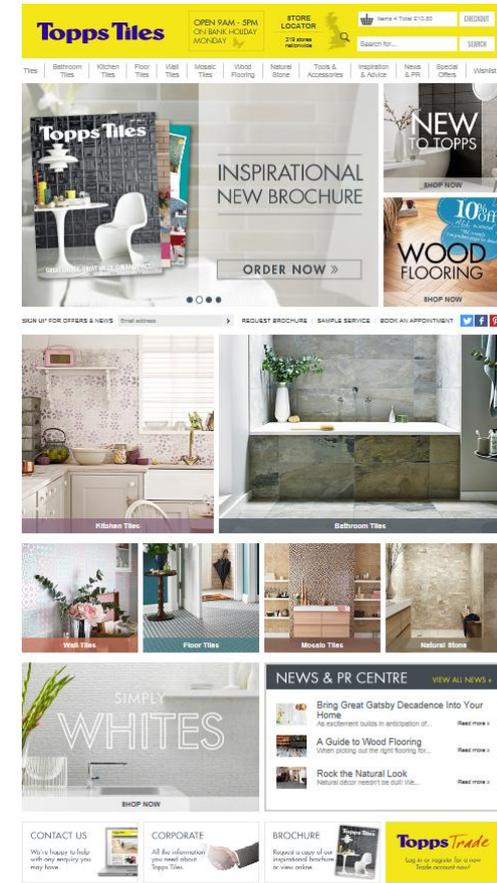
- 320 stores across the UK at period end
- Activity in the period includes:
 - 3 new stores
 - 4 refits
 - 8 store closures
- Lab store fit out now being applied to all new stores and selected elements applied to existing stores
- Remaining TCH stores now being traded under Topps brand – will continue as clearance centres



- Retail marketing strategy is focussed on broadening appeal, particularly with the trade, whilst continuing to concentrate on core customers
- Activities to drive awareness and footfall - National TV campaign ITV Daybreak sponsorship - committed for remainder of 2013
- PR activity and advertorials key in improving consideration amongst potential new customer groups
- Brochure continues to develop and is key communication vehicle for both retail and trade customers
- Trade specific marketing includes direct marketing, and local initiatives & events



- Key marketing tool - first point of call for pre-purchase research
- Average of 500k visits per month (2012: 380k), with 3.9m unique page views (2012: 3.1m), 35% of which utilise store locator
- Primarily a research and inspiration tool but online sales also important at c.2% of turnover
- Digital strategy increasingly utilising social media to inspire customers – including on-line competitions and store reviews



Rob Parker
Chief Financial Officer

Income Statement Highlights

26 weeks ended 30 March 2013

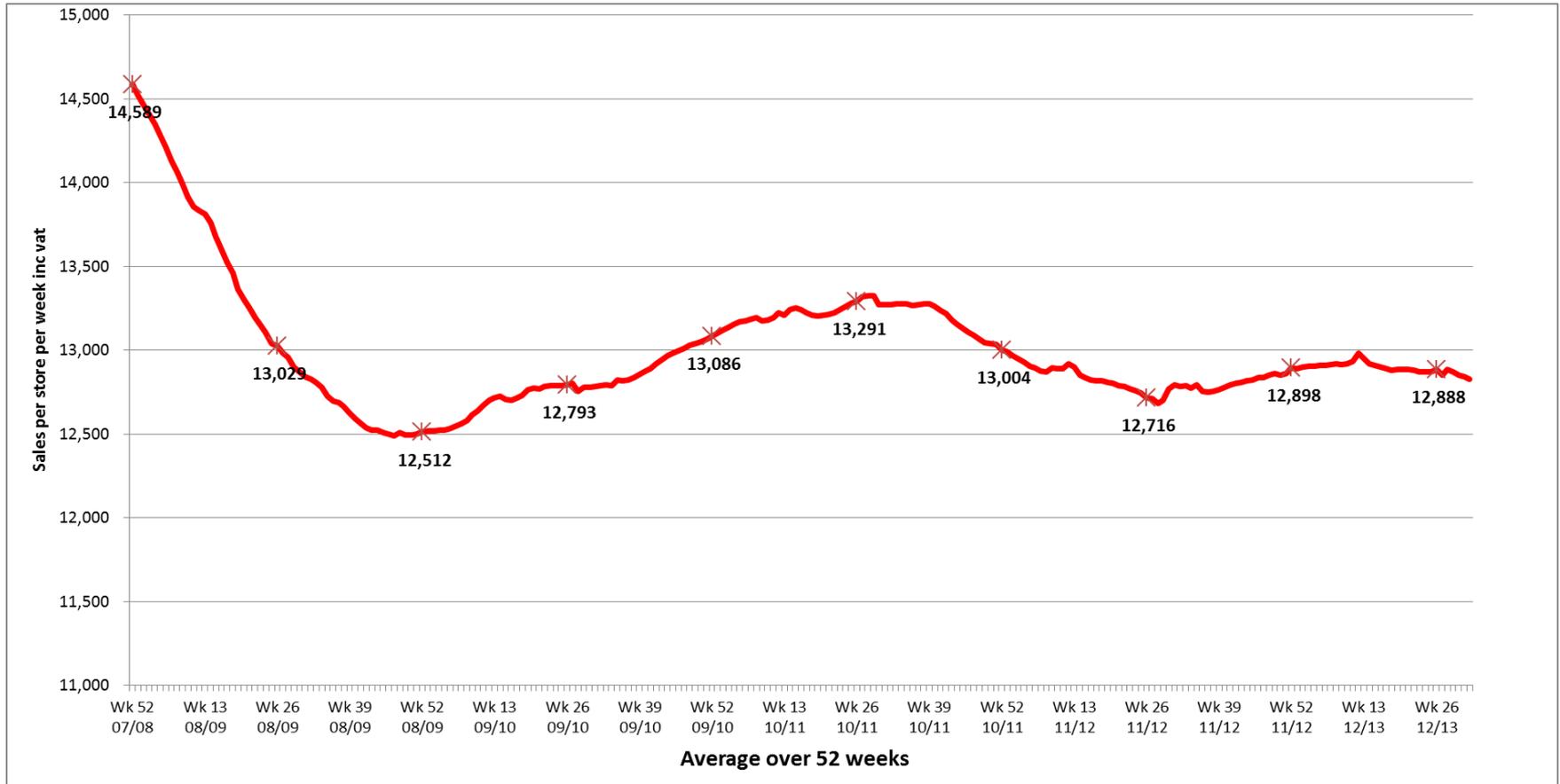
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	2011/12			12/13	
	H1	H2	FY	H1	YoY %
Sales - £m	86.6	91.0	177.7	87.4	0.9%
Gross Profit - £m	51.7	54.9	106.5	52.3	1.2%
Gross Margin %	59.7%	60.3%	60.0%	59.8%	0.2%
Adjusted Opex - £m	(44.6)	(45.3)	(90.0)	(45.8)	2.7%
Adjusted Operating Profit - £m	7.1	9.5	16.6	6.5	-8.2%
Adjusted Operating Margin %	8.2%	10.4%	9.3%	7.4%	-0.7%

- Total revenues up 0.9%, 0.2% decline on a LFL basis
- Margin decreased slightly vs H2 run rate due to trade mix
- Opex – yoy increase driven by inflation and increase in average number of stores traded (322 vs 319)

52 Week Rolling Average Sales

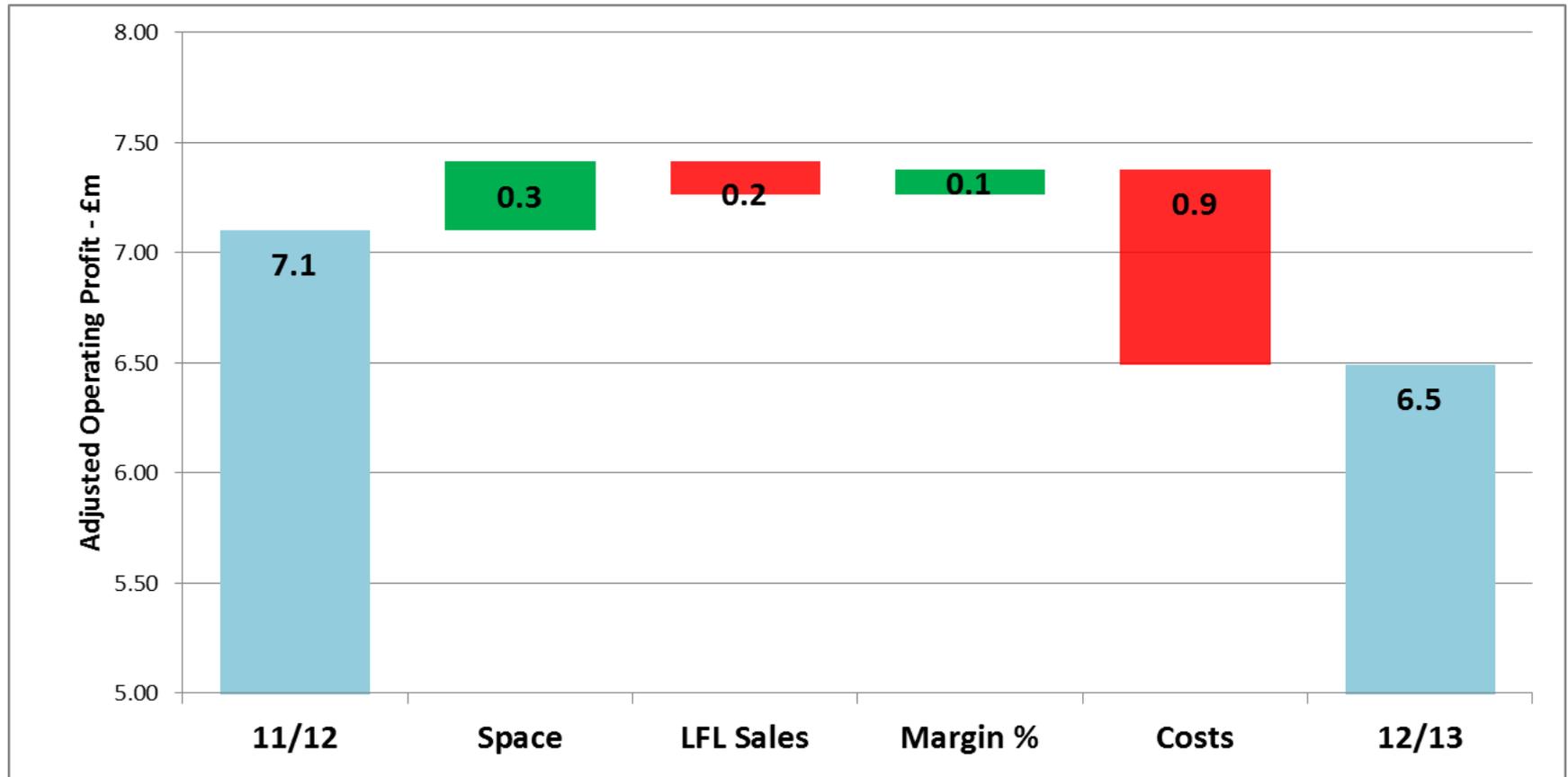
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Adjusted Operating Profit Bridge

26 weeks ended 30 March 2013

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Income Statement Highlights

26 weeks ended 30 March 2013

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	2011/12			12/13	
	H1	H2	FY	H1	YoY %
Interest - £m	(1.5)	(2.3)	(3.8)	(1.8)	20.7%
Adjusted PBT - £m	5.6	7.2	12.8	4.7	-15.9%
Adjusted Net Margin %	6.4%	7.9%	7.2%	5.4%	-1.1%
One offs - £m	0.0	0.5	0.5	(0.7)	n/a
MTM - £m	(0.6)	(0.2)	(0.8)	0.7	n/a
PBT - £m	5.0	7.5	12.5	4.7	-5.2%
Net Margin %	5.8%	8.2%	7.0%	5.4%	-0.3%

- *One offs includes charges for PPE impairments and onerous leases (£0.6m), business restructuring costs (£0.1m)*
- *MTM driven by gains in interest rate derivatives and FX hedging*
- *Tax rate for the period of 26.0% (26.9%)*

EPS and Dividend

26 weeks ended 30 March 2013

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- Basic EPS of 1.83 pence (2012: 1.94 pence)
- Adjusted basic EPS of 1.83 pence (2012: 2.14 pence)
 - PPE impairment, onerous lease charges and restructuring costs of £0.7m (2012: £0.5m)
 - 2012 also included £0.4m gain on disposal of freehold property
 - Fair value gain (MTM) on interest rate derivatives and FX of £0.7m (2012: £0.6m loss)
- Interim dividend of 0.5 pence per share (2012 : 0.5 pence)
 - £1.0m to be paid July 2013

Balance Sheet Highlights

30 March 2013

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	2012 HY	2012 FY	2013 HY	YoY %
Stock	25.3	25.9	26.2	3.6%
Stock Days	134	133	134	0.0%
Net Assets/(Liabilities)	(22.8)	(17.3)	(15.2)	-33.3%
Cash	18.7	14.4	15.1	-19.3%
Borrowings	(65.0)	(60.0)	(60.0)	-7.7%
Net Cash/(Debt)	(46.3)	(45.6)	(44.9)	-3.0%
Adj EBITDA Interest Cover	5.5x	5.4x	4.9x	-10.9%

- Cash reduction yoy driven by derivatives settlement of £6m and repayment of £5m of RCF
- Net debt stable vs year end position

Cash Flow Highlights

26 weeks ended 30 March 2013

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Summary Cashflow	2011/12		2012/13		YoY	
	£m	£m	£m	£m	£m	£m
Cashflows from operating activities (EBITDA)	8.9		8.1		(0.8)	
Change in working capital	0.7		(0.6)		(1.3)	
Interest	(0.8)		(2.1)		(1.3)	
Tax	(0.7)		(1.4)		(0.7)	
Operations		8.1		4.1		(4.1)
Capital Expenditure	(3.9)		(2.2)		1.6	
Other	0.0		0.0		0.0	
Proceeds from disposals	2.0		0.3		(1.7)	
Investments		(1.9)		(2.0)		(0.1)
Dividends	(1.1)		(1.4)		(0.3)	
Movement in loans	5.0		0.0		(5.0)	
Derivative Cancellation	(0.5)		0.0		0.5	
Other	0.0		0.0		0.0	
Financing		3.4		(1.4)		(4.8)
Net movement in cash		9.7		0.7		(9.0)

- Current trading has deteriorated slightly – LFL sales down 2.6% in last eight weeks, too early to assess impact on FY
- Pleased with progress on self help and cost saving initiatives – expected to deliver £2m savings in H2
- Leading indicators for our market have improved but we remain cautious on short term LFL outlook
- Continue to invest for the long term and focus on our overriding goal of taking profitable market share





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