

Topps Tiles

A modern living room with dark grey tiled floors. In the center is a dark brown sofa with yellow and patterned pillows and a yellow throw blanket. In front of it is a wooden coffee table with a black metal frame, holding a vase of yellow flowers, a stack of books, and a small white vase. To the left is a wooden armchair with a grey cushion and a patterned pillow. Large glass doors on the left lead to a garden with a wooden table and benches. A vertical planter with various green plants is visible near the doors. A large, arched mirror is on the wall to the right.

**Interim Results
2016**

- **Introduction – Matthew Williams**
- **Financial Performance – Rob Parker**
- **Strategy & Operations – Matthew Williams**

Introduction

Matthew Williams
Chief Executive Officer

Financial performance	<ul style="list-style-type: none">▪ Sales of £108.0m, +4.7% LFL▪ Adj profit before tax £10.3m, +13.2%▪ Interim dividend @ 1.0pps, +33.3%
Range	<ul style="list-style-type: none">▪ Strengthened specialist focus▪ Design led NPD, innovation, exclusives▪ Hero ranges – Spaces™
Convenience	<ul style="list-style-type: none">▪ Lab stores roll outs/roll backs▪ Target of 450 UK stores▪ Further trade channel progress
Inspiration	<ul style="list-style-type: none">▪ World class customer service▪ NPS - top five in UK retail▪ Natural service - largest ever training initiative

Financial Performance

Rob Parker

Chief Financial Officer

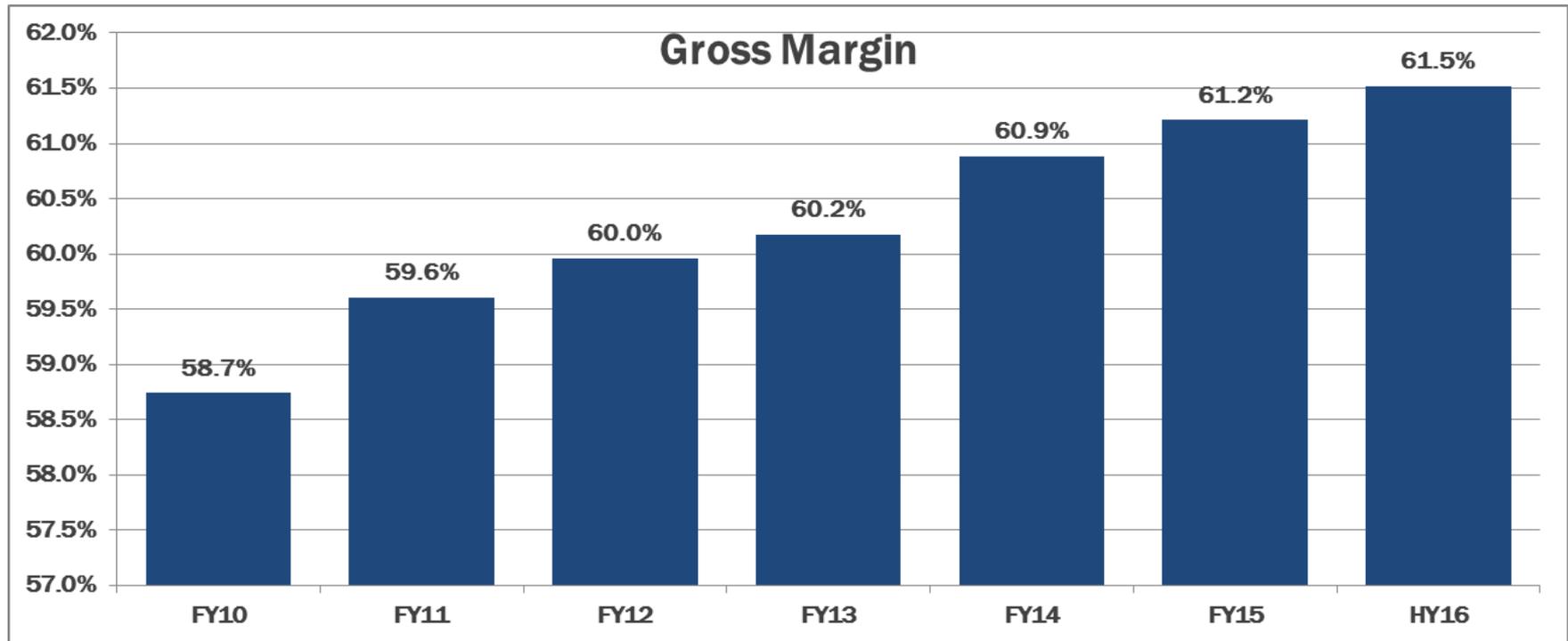
Income Statement Highlights - Adjusted

26 weeks ended 2 April 2016

Topps Tiles

	HY 16	HY 15	YoY
Sales - £m	108.0	104.0	+3.8%
Gross Profit - £m	66.5	63.2	+5.2%
Gross Margin %	61.5%	60.7%	+80bps
Adjusted Opex - £m	(55.6)	(53.5)	+3.9%
Adjusted Operating Profit - £m	10.9	9.6	+13.5%
Adjusted Interest - £m	(0.6)	(0.6)	n/a
Adjusted PBT - £m	10.3	9.1	+13.2%
Adjusted Net Margin %	9.5%	8.8%	+70bps
Adjusted EPS - pence	4.24	3.67	+15.5%

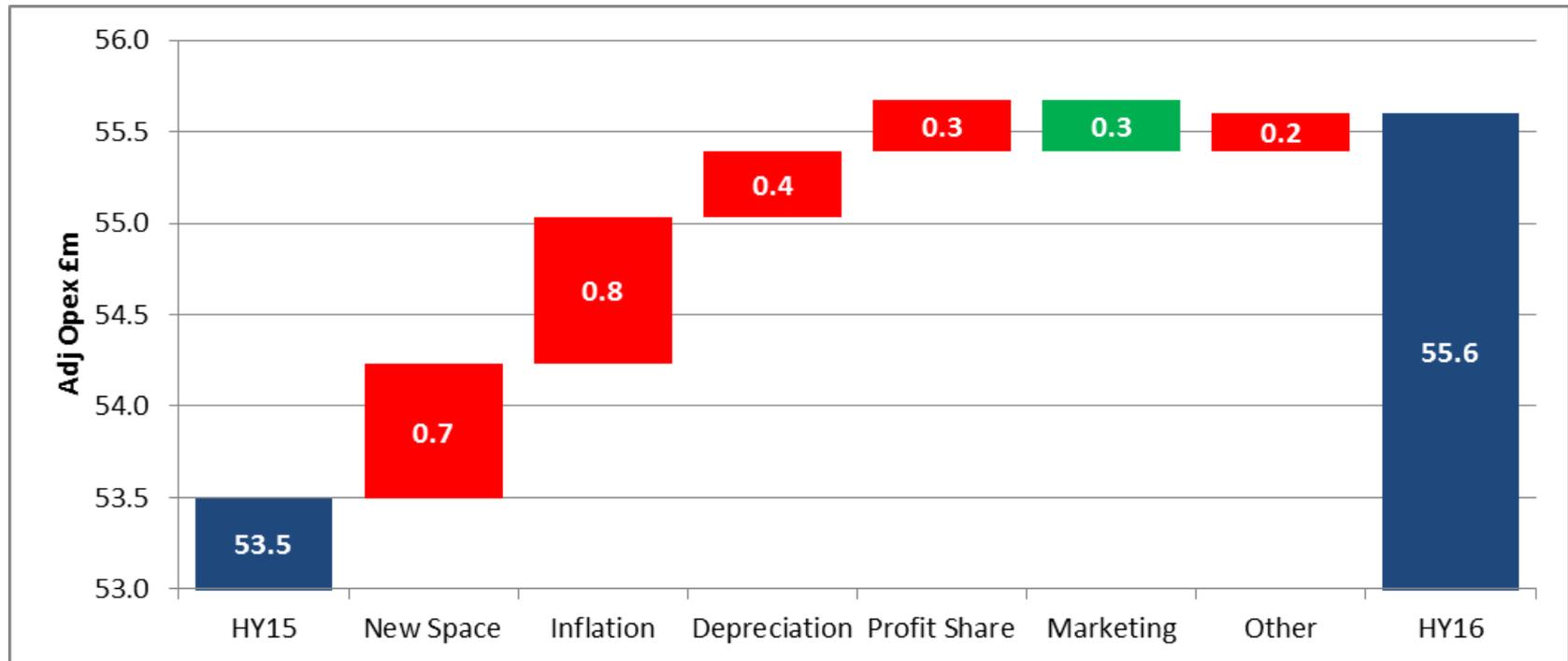
- **Strong sales growth of +4.7% on a LFL basis**
- **Gross margin grown by 80bps, including strong trade performance**
- **Adjusted PBT of £10.3m, +13.2%**
- **Interim dividend of 1.0 pence per share, +33%**



- Half year gross margin of 61.5%, +30bps vs FY15, +80bp vs HY15
- Includes dilution from growth of lower margin trade business - now c.51% of mix
- Underlying gains driven from supply chain, new product development and own brand/exclusivity
- Further modest gains expected into 2017 – supported by exit from wood range

Adjusted Operating Expenditure Bridge

26 weeks ended 2 April 2016



- Adjusted opex increased by £2.1m
- New space reflects increase in average number of stores from 336 to 342 yoy
- Inflation of c. 1.5%
- Depreciation costs rise in line with recent higher capital expenditure
- Profit share increase reflects company performance
- Marketing driven by phasing of activity yoy

Operating Leverage & Net Margin

£m	HY 2015	Incremental	HY 2016	YoY
Sales	104.0	4.0	108.0	3.9%
Gross Profit	63.2	3.3	66.5	5.2%
Gross Margin	60.7%	81.5%	61.5%	+80bps
Adj Operating Profit	9.7	1.2	10.9	12.3%
Operating Margin	9.3%	29.7%	10.1%	+80bps
Adj PBT	9.1	1.2	10.3	13.1%
Net margin	8.8%	29.7%	9.5%	+70bps

- Operating margin and net margin has improved by 80bps yoy
- Key driver is growth in gross margin, combined with sustained sales growth and modest cost growth
- Target of 25% incremental operating margin remains, 30% delivered in H1

Balance Sheet Highlights

2 April 2016

Topps Tiles

£m	HY 2016	HY 2015	YoY
Inventory	27.2	30.4	-10.5%
Stock Days	121	141	-14.2%
Net Assets	12.9	4.6	+180%
Cash	11.6	14.0	-17.1%
Borrowings	40.0	45.0	-11.1%
Net Debt	28.4	31.0	-8.4%

- Inventory down on prior year, days cover also reducing as sales grow
- Net assets position continues to strengthen
- Net debt position in line with year end, further reduction in drawn facilities during the period

Cash Flow Highlights

26 weeks ended 2 April 2016

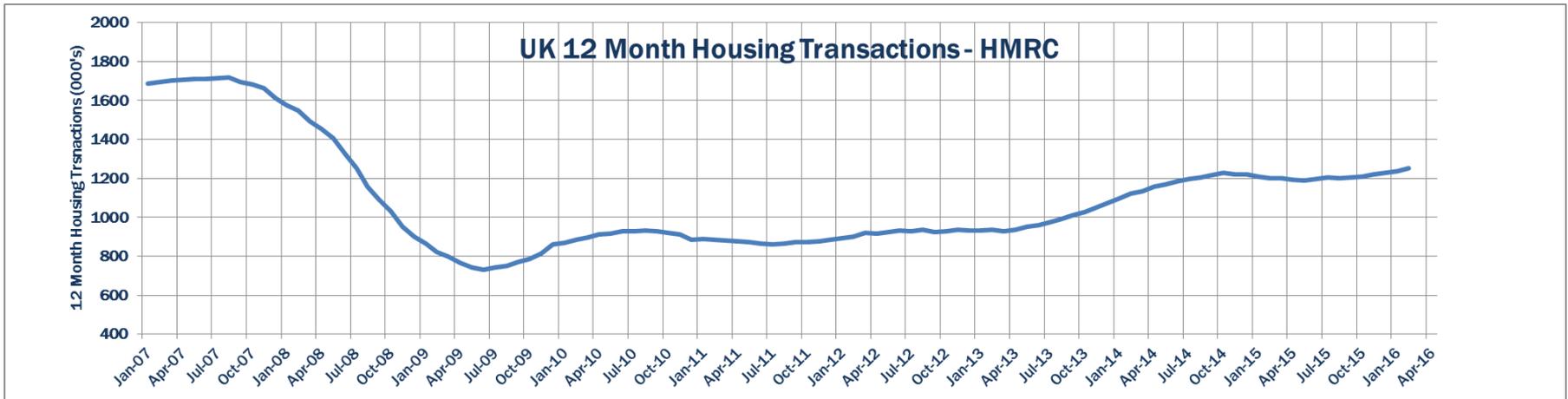
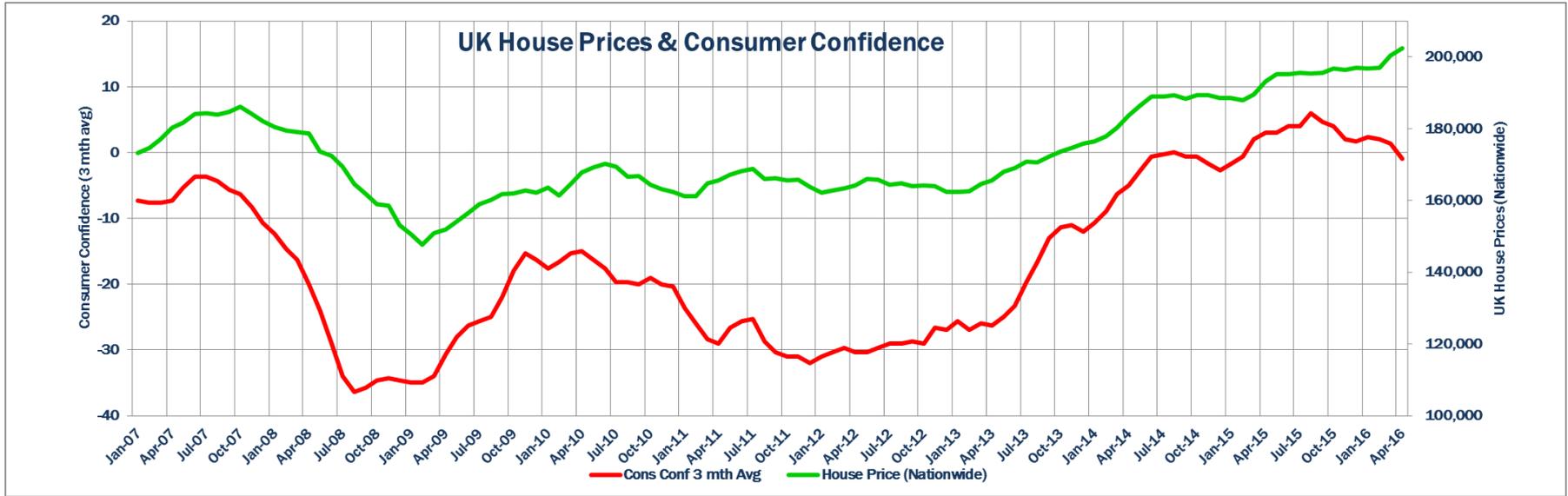
Summary Cashflow	HY 16		HY 15		YoY	
	£m	£m	£m	£m	£m	£m
Cashflows from operating activities (EBITDA)	13.8		12.6		1.2	
Change in working capital	(0.4)		(1.9)		1.5	
Interest	(0.4)		(1.3)		0.9	
Tax	(1.9)		(1.8)		(0.1)	
Operations		11.0		7.6		3.4
Capital Expenditure	(4.7)		(5.2)		0.5	
Proceeds from disposals	0.0		0.6		(0.6)	
Purchase of own shares	(2.0)		(0.5)		(1.5)	
Other	0.0		0.1		(0.1)	
Investments		(6.7)		(5.0)		(1.7)
Dividends	(4.4)		(3.1)		(1.3)	
Movement in loans	(5.0)		(5.0)		0.0	
Financing		(9.4)		(8.1)		(1.3)
Net movement in cash		(5.0)		(5.5)		0.5

Outlook

- Closure of legacy tax enquiries – c.£4m remains outstanding with HMRC
- Capex outlook remains at £10m-£12m (subject to any freehold acquisition)

Strategy & Operations

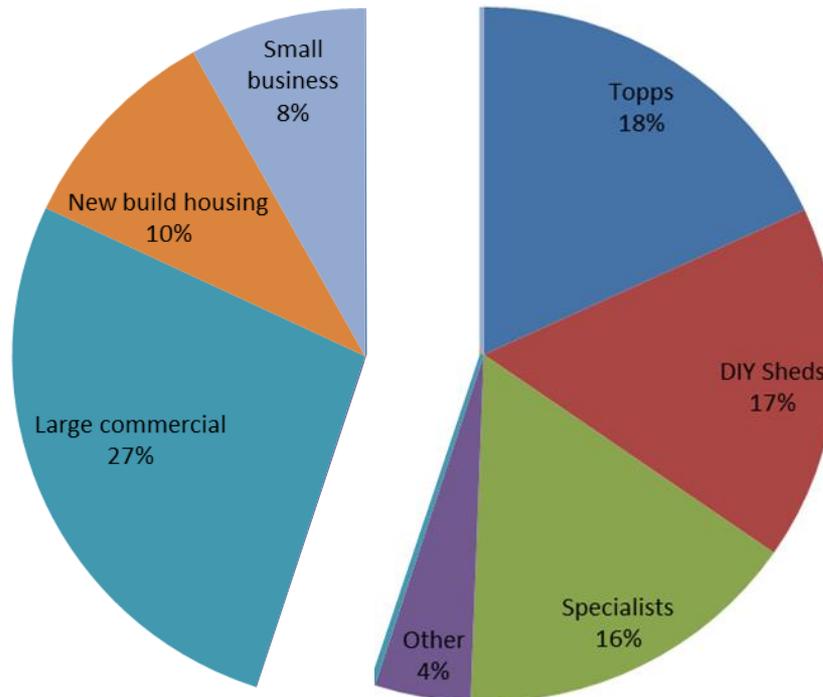
Matthew Williams
Chief Executive Officer



The UK tile market is split into two end-use segments:

- Domestic/RMI – principally refurbishment of residential properties (c.55%)
- Commercial/new build – infrastructure projects, small business and new build domestic properties (c.45%)

The UK Tile Market is valued at RSP c.£640m



Source: AMA & MBD, Topps estimates

Strategy “Out Specialising the Specialists”



- 5 year plan focussed on profitable sales growth
- ‘Out Specialising the Specialists’ continues to have significant potential
- Access small business segment of the commercial market through existing channels



Range – Unrivalled Authority



- New Product Development continues to deliver range advantage and is a key margin driver
- Continuous design led innovation with more than one new range launched a week into our stores and online
- Closer collaboration / enhanced relationships with selected suppliers
- Focus on exclusivity, own brand and protecting ranges is key to success
- Wood exit being progressed in the summer 2016 – further reinforces our specialist credentials





Range – Design Led Product Development

Topps Tiles

- Topps' buyers work with the leading manufacturers to develop tile designs currently focussed on four key themes:
 - Statements (ethnic, stripes, geometrics)
 - Raw Comfort (outdoor to in, industrial, upcycled)
 - Simply Minimal (minimal shades, open plan, lighting, clear lines)
 - Luxurious Living (sumptuous, precious metals, elegance)
- Technology is key enabler of accessibility
- This has driven excellent coverage in the key home improvement magazines





- Extending applications of our range with the introduction of the “Spaces™” indoor/outdoor range
- Range available in marble, stone, patterned and wood effect options
- Outdoor tile utilises unique Serafoam® technology creating a 40mm thick lightweight, easy to lay product which is exclusive in the UK market



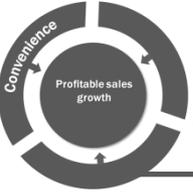


Convenience Stores

Topps Tiles

- Opportunity for up to 450 UK stores
- 342 stores trading at period end - growth target of 10 to 15 per annum
- Continued development of core format informs investment in existing store estate
 - Estimated 15 full refits per annum
 - Annual programme of all store improvements
- Target of 2 year cash payback on all investments
- Look & feel of stores driving brand re-appraisal





Convenience

Focus on the Trade 'channel'



- Increased focus on trade channel to ensure we are well placed to exploit 'do it for me' trend and optimise availability
- Trade channel sales now 51% of mix with continued growth expected
- Relationship with store team remains key foundation
- Our growing trade rewards programme now has over 15,000 traders redeeming £20 vouchers to spend or use against 'trade-up' products
- 60% of all trade channel sales linked to rewards programme

Topps Tiles 12 JAN - 22 FEB 2016
Trader
 EXCLUSIVE DEALS FOR THE TRADE PROFESSIONAL

Hardiebacker Board 6mm and 12mm

Strongest on market - holds up to 100kg/m² vs 32kg/m² for plasterboard
 Easy to cut and install
 Moist and water resistant
 Suitable for walls and floors

HEADLINE DEAL 3 FOR 2
 ONLY ON SELECTED TRADING ASSOCIATION VOUCHERS

Hardiebacker Board - 6mm 1200x600mm (1) 2624	Hardiebacker Board - 12mm 1200x600mm (1) 2624	3 BOARDS FOR ONLY £23.98 inc VAT (1) 2624
Hardiebacker Board - 6mm 1200x600mm (1) 2624	Hardiebacker Board - 12mm 1200x600mm (1) 2624	3 BOARDS FOR ONLY £27.18 inc VAT (1) 2624
Hardiebacker Board - 6mm 1200x600mm (1) 2624	Hardiebacker Board - 12mm 1200x600mm (1) 2624	3 BOARDS FOR ONLY £5.64 inc VAT (1) 2624

Topps Tiles trade

APR - JUN 16

Topps Tiles trade
 REWARDS CLUB

RECEIVE A **£20** TOPPS TILES VOUCHER

OR **TRADE UP** NOW 15 GREAT PRODUCTS

Item No.	Trade No.	Date
1	000 000000	
2	000 000000	
3	000 000000	
4	000 000000	
5	000 000000	
6	000 000000	
7	000 000000	

Topps Tiles trade
 REWARDS CLUB

HOW DOES TOPPS TILES TRADE REWARDS CLUB WORK?
 1. Sign up to Topps Tiles Trade 2. A box of your rewards card will be sent to you every month of £20.00 value in each transaction 3. Get a voucher for every completed card or 'trade up' by exchanging your completed cards for top products

CLAIM YOUR VOUCHER OR PRODUCT BY SHOWING THE COMPLETED CARD AT THE COUNTER.

1x CARD (000 022225)	1x CARD (000 022226)	1x CARD (000 022227)
ROUGHNECK 3 PIECE BOLSTER & CHEEL SET WORTH £24.99 Inc VAT	ROUGHNECK'S PIECE MULTI PURPOSE BAR SET WORTH £24.99 Inc VAT	ROLSON 10W LED RECHARGEABLE LIGHT WORTH £29.99 Inc VAT
2x CARDS (000 022230)	3x CARDS (000 022247)	3x CARDS (000 021127 / 021128)
ARBU MAX PLATFORM 900MM XL WORTH £49.99 Inc VAT	FENI BEST OF TILING KIT WORTH £69.99 Inc VAT	RUBI A115 ANGLE GRINDER & RUBI TVA 115MM SUPER PRO VIPER BLADE WORTH £71.07 Inc VAT
4x CARDS (000 022231)	4x CARDS (000 022237)	5x CARDS (000 022238)
KARCHER K2 HIGH PRESSURE CAR & HOME CLEANER WORTH £99.99 Inc VAT	KARCHER HV5 PREMIUM WINDOW VAC WORTH £99.99 Inc VAT	IMEX BULLSEYE 70 LASER MEASURER WORTH £135.00 Inc VAT
5x CARDS (000 022237)	6x CARDS (000 022243)	7x CARDS (000 022248)
LANDMANN GRILL CHEF TENNESSEE BROILER BBQ WORTH £139.99 Inc VAT	KARCHER SC3 STEAM CLEANER WORTH £149.99 Inc VAT	MILWAUKEE C540 CIRCULAR SAW WORTH £159.99 Inc VAT
7x CARDS (000 022242)	8x CARDS (000 022247)	8x CARDS (000 022249)
IMEX PALM CROSS LINE LASER & TRIPOD WORTH £189.99 Inc VAT	MILWAUKEE PRO2X SDS + HAMMER DRILL WORTH £199.99 Inc VAT	FENI MULTIMASTER TOP 350 WORTH £227.95 Inc VAT



Inspiration

Service - Customers

Topps Tiles

- High customer service requirement – infrequent purchase, no recognisable brands and limited product knowledge
- Customer journey often starts online and is a key aspect of inspiration and customer appraisal
- Our world-class customer service continues to be at the heart of an inspirational in-store customer experience
- NPS score of 69% - ranks us within top 5 of UK retailers



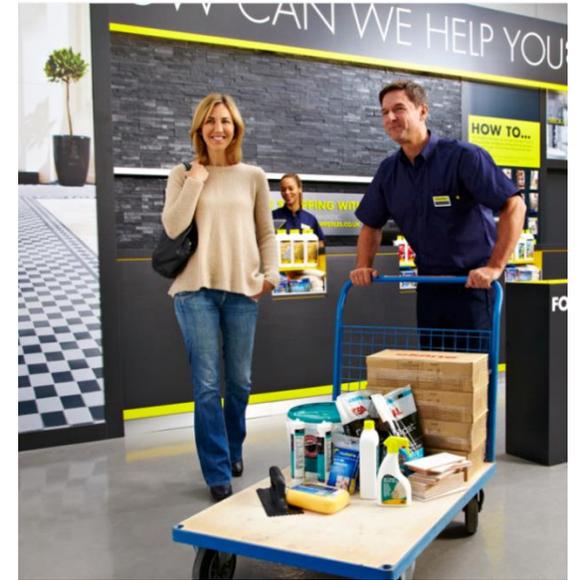


Inspiration

Colleague Engagement and Culture

Topps Tiles

- Service ethic engrained in our culture
- Colleague engagement and development key areas of focus
- At Topps service has always meant being honest, knowledgeable and helpful, but never ever pushy
- Delivering biggest ever training programme – focussed on “natural” service and being THE specialist
- Rewarding service and performance are key to Topps’ DNA – all colleagues participate in profit share schemes



- **Continuing to grow ahead of the market**
- **Current trading –7 weeks to 21 May 2016**
 - Like-for-like revenue growth +8.4%
 - Earlier Easter favourable impact of c.1.1%
- **Sources of future growth**
 - Market indicators positive
 - LFL growth driven by strategy of “Out-specialising the specialists”
 - Further growth in portfolio – up to 450 UK stores
 - Exploration of broader commercial opportunities

Appendix

Income Statement Highlights - Statutory

26 weeks ended 2 April 2016

Topps Tiles

	HY 16	HY 15	YoY
Adjusted PBT - £m	10.3	9.1	+13.2%
Adjustments - £m	(0.4)	(0.1)	n/a
MTM (FX) - £m	0.2	0.1	n/a
PBT - £m	10.1	9.1	+11.0%
Adj Net Margin %	9.5%	8.8%	+70bps
Tax %	20.3%	21.8%	n/a
PAT - £m	8.0	7.1	+12.7%
EPS – pence	4.12	3.67	+12.2%
Interim dividend - pence	1.00	0.75	+33.3%

- Adjusting items includes one off costs relating to the centralisation of support functions onto one site in Leicester and exit of the Topps Clearance brand
- Statutory PBT of £10.1m, 11.0% increase