

PRO TILER TOOLS

Acquisition of Pro Tiler Limited

Topps Tiles plc
10 March 2022



Topps Tiles

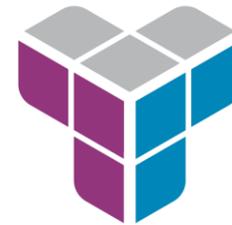
History

- Established in 2010 by the Bucknall family – Andy & Wendy and sons Sam & Todd
- Andy, Sam & Todd all professional tilers – well respected in the industry
- Rapid growth over recent years
- Andy & Wendy retiring, Sam & Todd to run the business day to day

Positioning

- Trade focused online business
- Offer a full range of tools, trims, adhesives, grouts and other essentials from a broad range of manufacturers
- Service and knowledge led
- Deep understanding of the trade
- Pro Tiler represents majority of sales today

Brands



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 • RotoZip & Bosch GTR
 TILE TRIM
 • Metal Tile Trim
 • Plastic Tile Trim
 • Tile Trim Corners
 • Listellos (Borders)
 • Edge/Corner Protection
 • Formable Metal Tile Trim
 • LED Lighting Profiles
 • Stair Nosings
 • Bath Seals
 • Skirlings
 • Tile Trim Tools
 • Door Bars & Flooring Transitions
 • Plastic Beading

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Pro Tiler Financials

£m	MAT to Jan 2022	Year ended March 2021
Revenue	11.9	9.3
PBT		1.1

Acquisition structure

- 60% purchased for £5.3m + £0.3m closing adjustment
- Remaining 40% purchased in March 2024 at an agreed multiple of profits
- Financed through existing cash balances
- Sam and Todd Bucknall to stay with the business for at least 2 years

Combined Financials

	Existing Group ¹	Pro Tiler ²	Pro forma combined Group	% Change
Revenue (£m)	228.0	9.3	237.3	4.1%
Adjusted PBT (£m)	15.3	1.1	16.4	7.2%
Adjusted EPS (p) ³	6.13	0.27	6.41	4.5%
Adjusted EPS (p) ⁴	6.13	0.46	6.59	7.4%

1 Using results from FY21 as a base

2 Using last annual results to March 2021 as an illustration

3 Impact on Group EPS based on 60% ownership (from March 2022) and assuming a 19% tax rate for Pro Tiler

4 Impact on Group EPS based on 100% ownership (from March 2024) and assuming a 19% tax rate for Pro Tiler

Based on latest filed accounts

60% ownership = 4.5% EPS accretive

100% ownership = 7.4% EPS accretive

Note: excludes future estimates of growth and other benefits of ownership

Omni-channel



Homeowners and trade customers

Omni-channel:
314 stores and award-winning website

Digital



Trade customer focus

Digital specialists

Commercial



Architects, designers and contractors

Work directly with clients

- Retail trading progressing well – Retail LFL sales +18.2% (2 year), and +45.6% (1 year) in 9 wks
- Retail margins improved following management actions on pricing
- Operating costs remain well controlled despite inflation
- Operating cash flows in line with expectations
- Encouraging sales in Commercial with strong order book
- Confident in delivering FY adjusted PBT in line with our expectations

	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22 first 9 weeks
Two-year Retail like-for-like sales	+13.0%	-23.1%	+12.9%	+21.7%	+21.0%	+18.2%
One-year Retail like-for-like sales	+19.9%	-17.3%	+131.0%	+3.0%	+1.0%	+45.6%

- Next investor update will be Interims on 24 May, including update on capital structure

Appendix

- Business combinations governed by IFRS 3
- 60% purchase works in the normal way with a non-controlling interest (NCI) of 40% of acquiree's identifiable net assets and goodwill included in the consolidated balance sheet
- 40% purchase to be expensed through P&L as remuneration over next two years (within adjusting items) due to the requirement for Sam and Todd to remain employed for two years, creating a redemption liability
- After two years:
 - the redemption liability will be released with a cash outflow relating to final 40% purchase;
 - NCI will be derecognised with a credit to equity
- All P&L entries relating to acquisition outside of adjusting items
- Costs of acquisition expensed through P&L rather than capitalised under IFRS 3
- Effective tax rate will increase in the next two years as a result of the 40% purchase consideration not representing deductible expenditure for corporation tax purposes