

Topps Tiles
— BOUTIQUE —

**Analyst Store Visit
28th January 2014**



Welcome to Clapham!

Topps Tiles 2nd Boutique Store

Agenda

1. Introducing the team
2. Strategic context
3. Look and feel
4. Operational integration
5. Property & financials
6. Summary and Q&A

Topps' Executive Management Team



Out-specialising The Specialists

Topps Tiles



Store Design For Boutique

- New retail format, new customer journey
- Branding – balanced
- Display flexibility key to success
- Range perception
- Inspiration in all aspects of customer interaction
- Learnings for main chain
- Demonstrate we understand interior design
 - we know tiles

Store Walk ...

Our People

- Our most important asset – service is key
- We have been on a journey
 - Order taker to project consultant
 - Results are encouraging
- Our aim with Boutique is to evolve this further but not to re-invent what is already successful
 - Distillation of colleague best practice
- Learning from Boutique utilised in core estate



Store Operations

- Leverage our existing processes and systems
 - Stock and order fulfilment

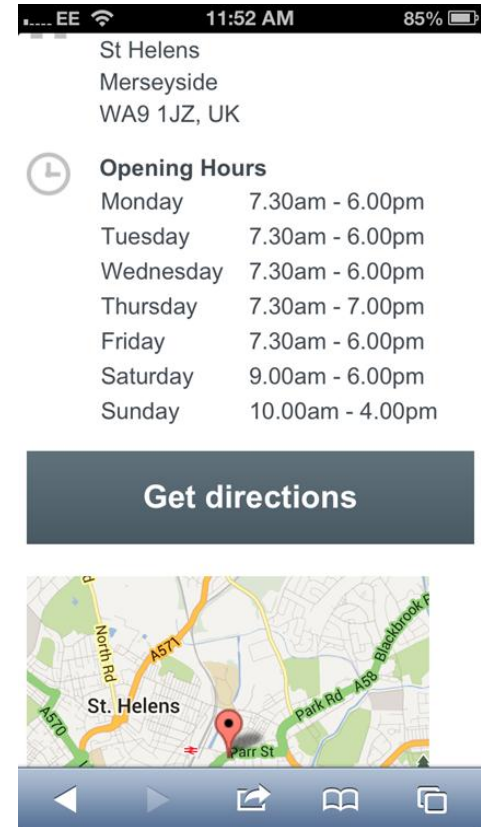
Stock Management

- Identified early on that stock is space hungry
- Created a fulfilment model which is similar to how we service our web channel
 - Home delivery or collect from **any** store
- Seamless for the customer
- Enhanced commission sharing scheme to incentivise the heavy lifting in the “buddy store”



Store Operations

- Leveraged our existing processes and systems
 - Stock and order fulfilment
 - All other processes are unchanged
- Bespoke opening hours
- No uniform, business casual
- Roll back the learning from Boutique



The Property Opportunity

- Research suggests Topps could trade from c.400 stores in UK
- Recent net openings have been modest due to difficulty in finding the right properties (location, size and rent) and churn in the existing estate
- Boutique could create significant opportunities to accelerate rollout to 400 stores
- Costs per m² will be higher but due to much smaller space the overall costs could be lower
- Cannibalisation expected to be minimal

The Property Site Criteria

- Target size of 1,000-1,500 sq ft
- High St/City Centre location is ideal – high footfall/traffic areas
- Parking optional – model not geared for cash and carry
- Target rent of up to £50k p.a.
- Fit out also expected to be cheaper than current – costs under review
- Opportunity to infill with existing core stores in densely populated areas

Store Model Financials

- Operating expenditure projected at c.75% of a core Topps
- Capital employed c.60% of core Topps (note - minimal working capital)
- Gross margin slightly higher due to lower trade mix
- Sales density of c.2/3 of core Topps would give similar payback of c.2 years

Trial Details

- Trialling three stores within the M25
 - Walton-on-Thames, Clapham and one other tbc
- Initial review at end of March
- Investor update at end of May (interim results)
- Key criteria will be similar return on capital as core Topps
- Expansion of trial in H2 subject to success

Multi-channel Convenience

Key Competitive Advantage



Out-specialising The Specialists

Topps Tiles



Q&A