



# Topps Tiles Plc

Results for the 26 weeks ended 2 April 2011

[www.toppstiles.co.uk](http://www.toppstiles.co.uk)



**Matt Williams – Chief Executive Officer**



**Rob Parker – Finance Director**



# **Matthew Williams**

## **Chief Executive Officer**



## Business Review

-  Sales from LFL stores increased by 1.8%
-  Adjusted profit before tax of £7.2m (2010 : £7.4m\*)
-  Net Promoter Score system adopted to measure customer satisfaction – initial score of 88.3% is very positive
-  Strategic and targeted marketing campaigns – Q1 national TV campaign
-  Continuing to take market share – now at 25.5%
-  Successful completion of re-financing of loan facilities – committed to May 2015
-  Interim dividend – 0.5 pence per share

\* 2010 Adjusted PBT has been restated on same reporting week basis - £0.4m impact



# Business Strategy

- ☐ Key characteristics of our business remain:
  - ☐ no product brands
  - ☐ infrequent customer purchase
  - ☐ highly service driven environment
- ☐ Strategy continues to focus on engaging our people to deliver outstanding value and service to our customers – this is our key differentiator
- ☐ Share ownership amongst employees
- ☐ Growth of the store estate and prudent management of existing locations
- ☐ Second warehouse at our Leicester HQ will be operational for quarter 4
  - ☐ Trialling home delivery - direct from HQ

Competitive advantage at the heart of the business –  
delivering a market leading customer offer



# Business Divisions

## **Topps Tiles:**

-  277 stores across the UK
-  Well established formula complimented by unrivalled customer offer
-  Conversions from TCH trading well, improved performance and greater synergies



## **TCH:**

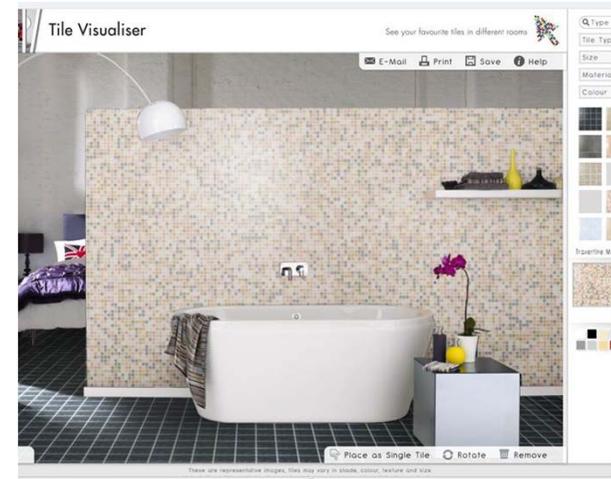
-  36 outlets focused on trade and jobbing builders
-  Cash and carry format
-  Chain of clearance outlets remains key to strategy – likely to be c.15 stores post conversions to Topps





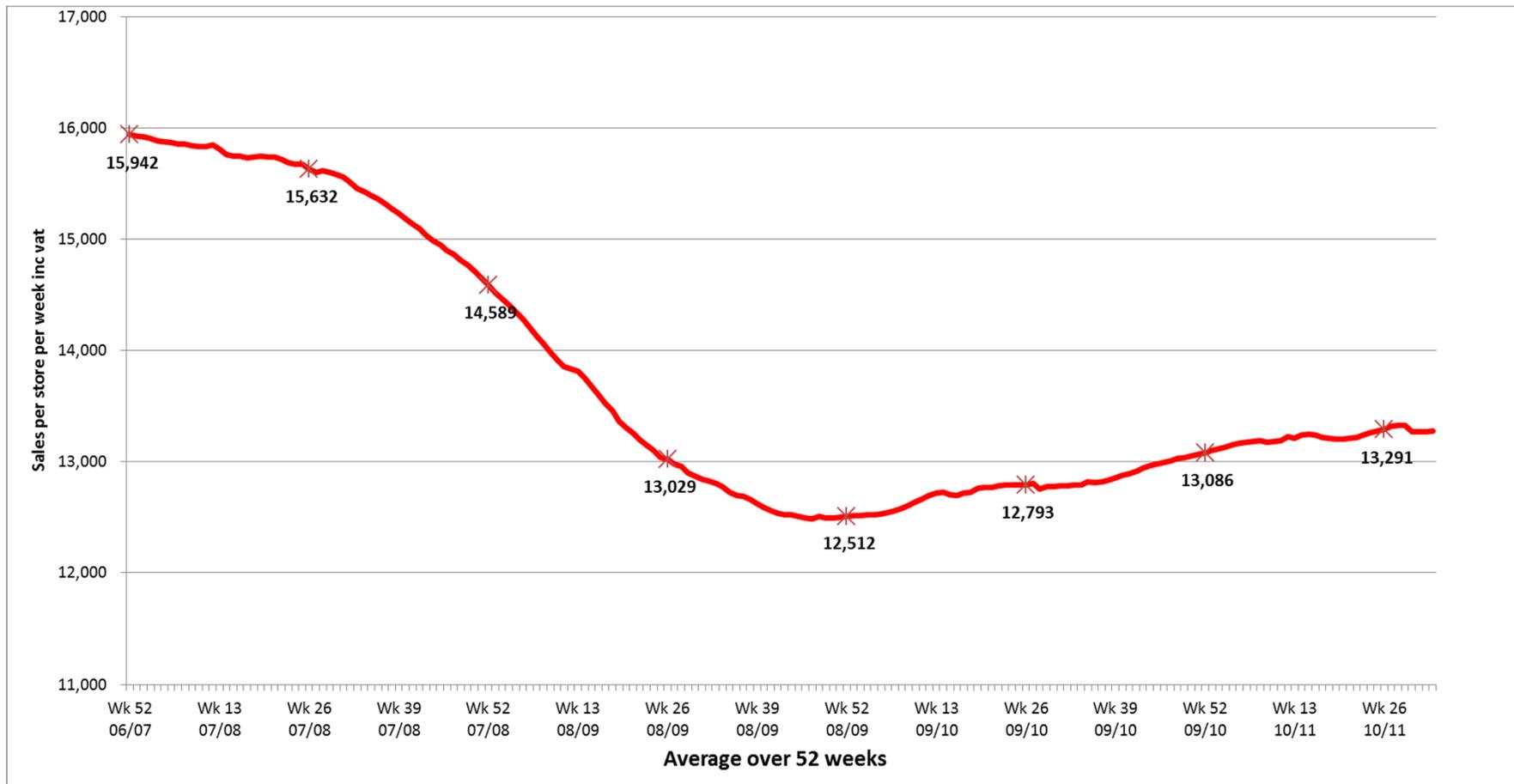
# Online Strategy

- ❑ Online operation making good progress – sales now c.1.5% of turnover
- ❑ Key marketing tool - website is often first point of call
- ❑ Average of 300,000 visits per month, with 3m+ page views
- ❑ Key developments for H2 include a “visualiser”, and Ipad app
- ❑ Site to be optimised for mobile phone browsing
- ❑ Complimented by other social media channels (Facebook, Twitter, iPhone app)





## 52 week rolling average sales



Key sensitivity in any modelling scenario is sales – £500 per week is worth c.£4m of PBT (subject to additional costs)



## Current trading and prospects

7 weeks ended 21 May 2011

-  Current period like-for-like revenues declined by 2.1%
-  Plans to finish the year with 320 stores
-  Additional warehouse will be operational by July '11

Exit rate from current trading period offers more encouragement and we remain confident we can deliver our objectives



# **Rob Parker**

## **Finance Director**

Financial Review



# Income Statement Highlights

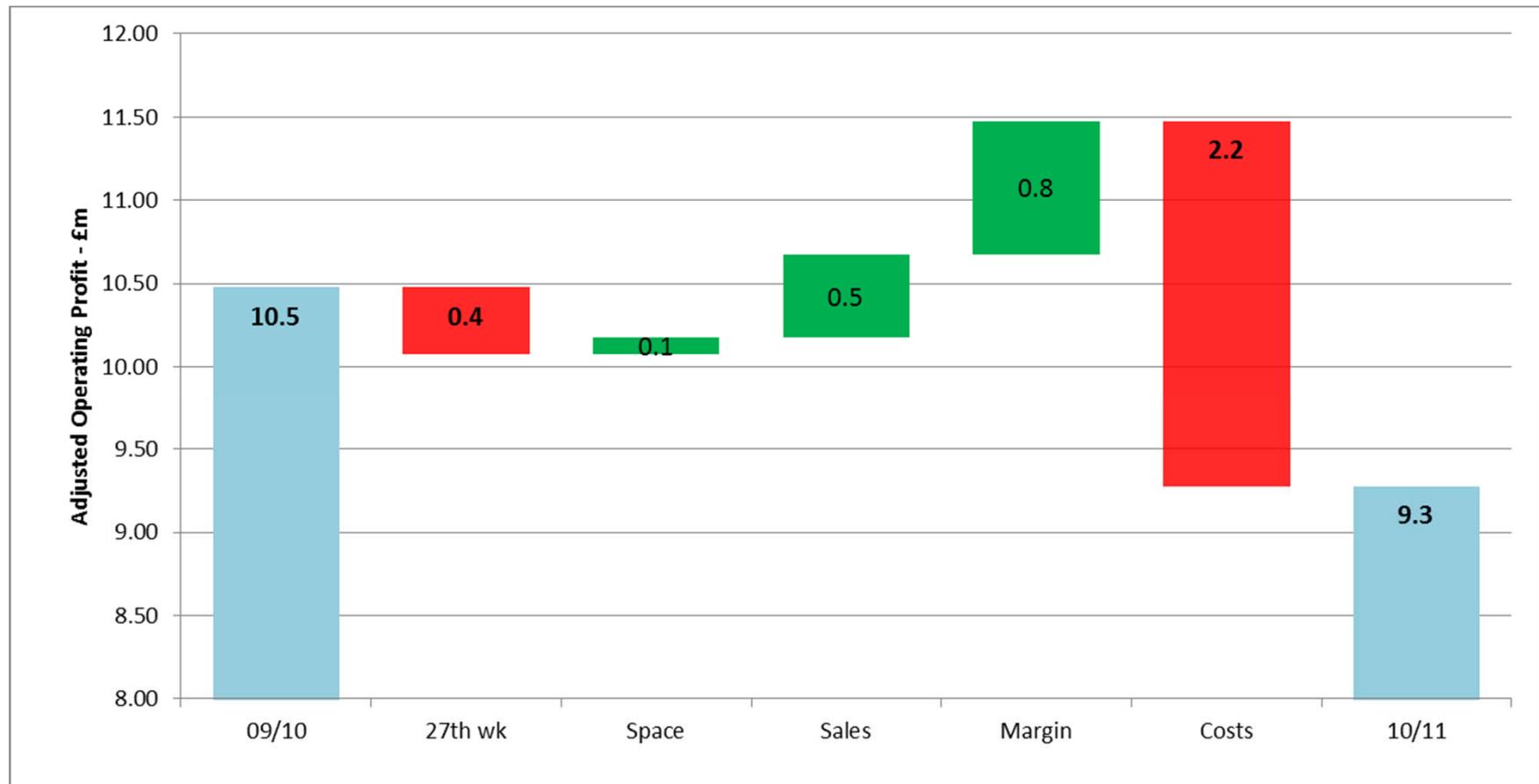
26 weeks ended 2 April 2011

-  Like-for-like revenues increased by 1.8%
-  Group turnover £89.2m, increased by 1.5% when adjusted for one less week (2010: £91.4m)
-  Gross margin of 59.7% (2010: 58.8%)
-  Adjusted operating costs £43.9m (2010 : £43.3m), representing 49.2% of turnover (2010: 47.4%)
  -  One less week accounts for c.£1.6m of cost savings yoy
  -  Additional store weeks drives £0.4m additional costs
  -  Inflation yoy of c.£1m
  -  Investments in marketing of c.£1.3m additional yoy
-  Adjusted operating profit of £9.3m (2010: £10.5m)
  -  Operating margin of 10.4% (2010 : 11.5%)



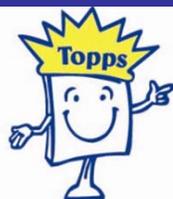
# Adjusted Operating Profit Bridge

26 weeks ended 2 April 2011



## Notes

-  Additional week is not material – worth c.£0.4m
-  Average number of stores up from 309 to 312 – c.1%
-  Cost drivers are inflation and marketing



# Income Statement Highlights

26 weeks ended 2 April 2011

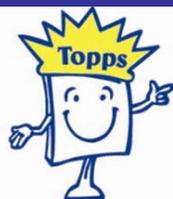
-  Interest charge of £2.3m (2010: £2.7m)
  -  Effective interest rate of 8.2%
-  Adjusted profit before tax of £7.2m (2010: £7.8m)
-  One off charges of £0.4m (2010: £0.2m)
  -  £0.2m relates to stores (accelerated depreciation and onerous leases)
  -  £0.2m write off of old loan fee
-  Fair value gain (MTM) on interest rate derivatives of £3.3m (2010: £0.2m loss)
-  Profit before tax of £10.0m (2010: £7.4m)
-  Effective tax rate from continuing operations of 27.7% (2010: 29.6%)



# Financial Highlights

26 weeks ended 2 April 2011

-  Distributable profit of £7.3m (2010 : £6.2m)
-  Basic EPS of 3.85 pence (2010: 3.39 pence)
-  Adjusted basic EPS of 2.76 pence (2010 : 3.01 pence)
  -  One off charges of £0.4m (2010 : £0.2m) relating to stores
  -  Fair value gain (MTM) on interest rate derivatives of £3.3m (2010 : £0.2m loss)
-  Dividend proposed of 0.5 pence per share
  -  £0.9m to be paid July 2011
  -  Dividend will remain under careful review – board remain keen to make progressive



# Balance Sheet Highlights

2 April 2011

	2010 HY	2010 FY	2011 HY	YoY %
Stock	26.1	24.9	25.3	-3.1%
Stock Days	125	121	126	0.8%
Net Receivables/(Payables)	(16.6)	(18.0)	(17.9)	7.7%
Net Assets/(Liabilities)	(32.5)	(28.5)	(23.1)	-28.5%
Cash	37.0	41.9	16.1	-56.5%
Borrowings	(94.8)	(91.0)	(66.1)	-30.2%
Net Cash/(Debt)	(57.7)	(49.1)	(50.0)	-13.3%
EBITDA Interest Cover	4.8x	5.1x	5.3x	9.9%



# Cash Flow Highlights

## 26 weeks ended 2 April 2011

Summary Cashflow	2009/10		2010/11	
	£m	£m	£m	£m
Cashflows from operating activities (EBITDA)	12.5		11.4	
Change in working capital	(8.1)		0.4	
Interest	(2.8)		(2.1)	
Tax	(1.9)		(1.3)	
<b>Operations</b>		<b>(0.3)</b>		<b>8.3</b>
Capital Expenditure	(1.5)		(5.9)	
Proceeds from disposals	0.0		0.0	
<b>Investments</b>		<b>(1.5)</b>		<b>(5.9)</b>
Dividends	0.0		(1.9)	
Repayment of loans	(3.8)		(24.9)	
Other	14.9		(1.4)	
<b>Financing</b>		<b>11.1</b>		<b>(28.2)</b>
<b>Discontinued Operations</b>		<b>0.0</b>		<b>0.0</b>
<b>Net movement in cash</b>		<b>9.4</b>		<b>(25.8)</b>



# Outlook

-  Encouraging trading in H1, current trading is negative but with an improving trend over past 7 weeks
-  Continue to focus on engaging our people to deliver outstanding value and service to our customers, maximising returns for our shareholders
-  We are capitalising on our market leading position by growing market share
-  Management remains confident that opportunity exists for 400 store chain – accelerated roll out with TCH conversions ahead of schedule



# Questions?

