



Topps Tiles

**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

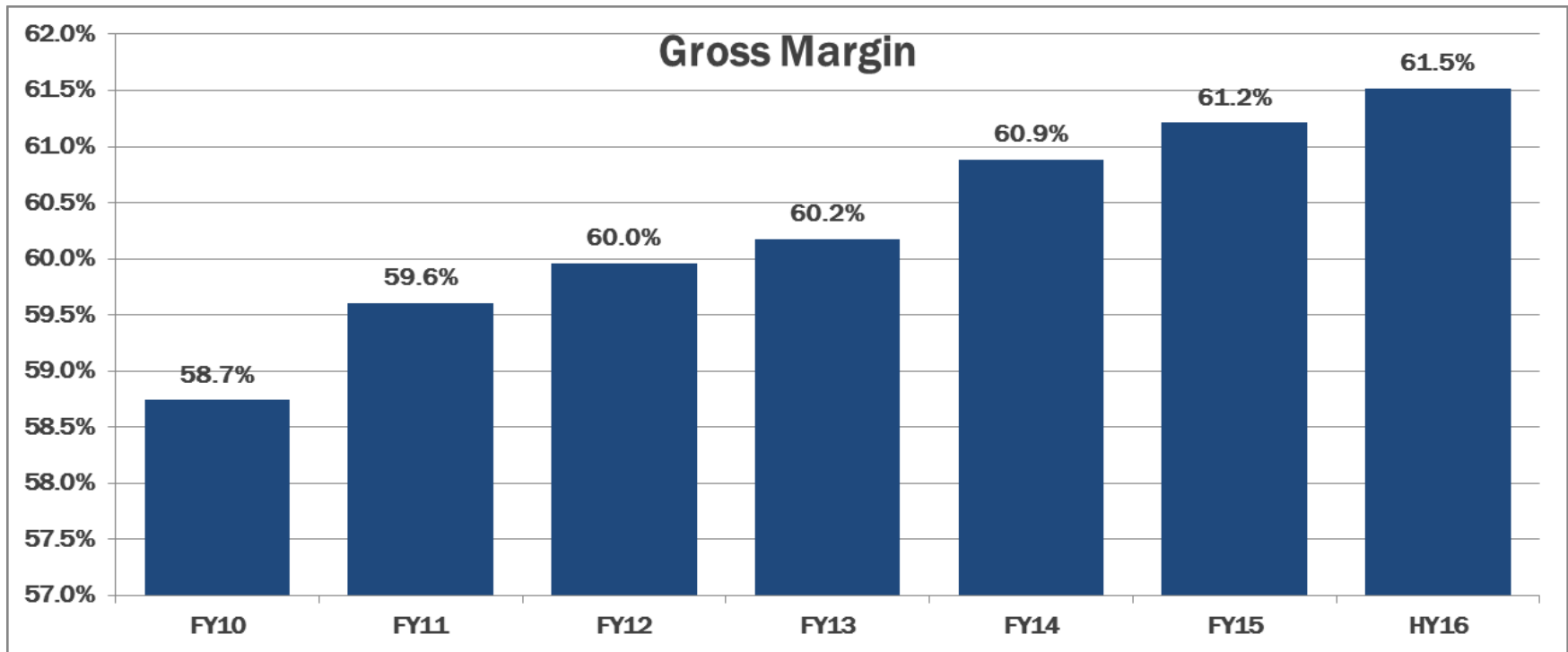
Income Statement Highlights - Adjusted

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%

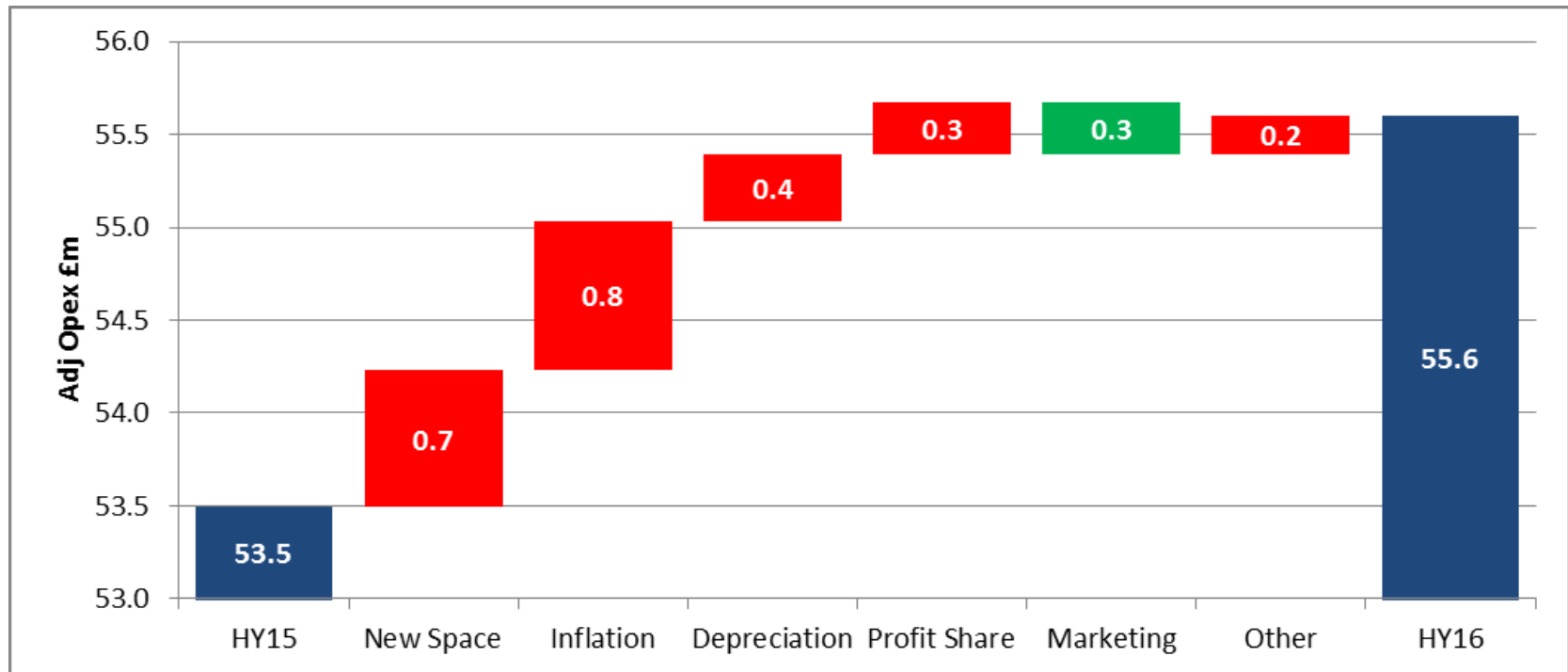


- Half year gross margin of 61.5%, +30bps vs FY15, +80bp vs HY15
- Includes dilution from growth of lower margin trade business - now c.51% of mix
- Underlying gains driven from supply chain, new product development and own brand/exclusivity
- Further modest gains expected into 2017 – supported by exit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

Adjusted Operating Expenditure Bridge

26 weeks ended 2 April 2016

Topps Tiles



- 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

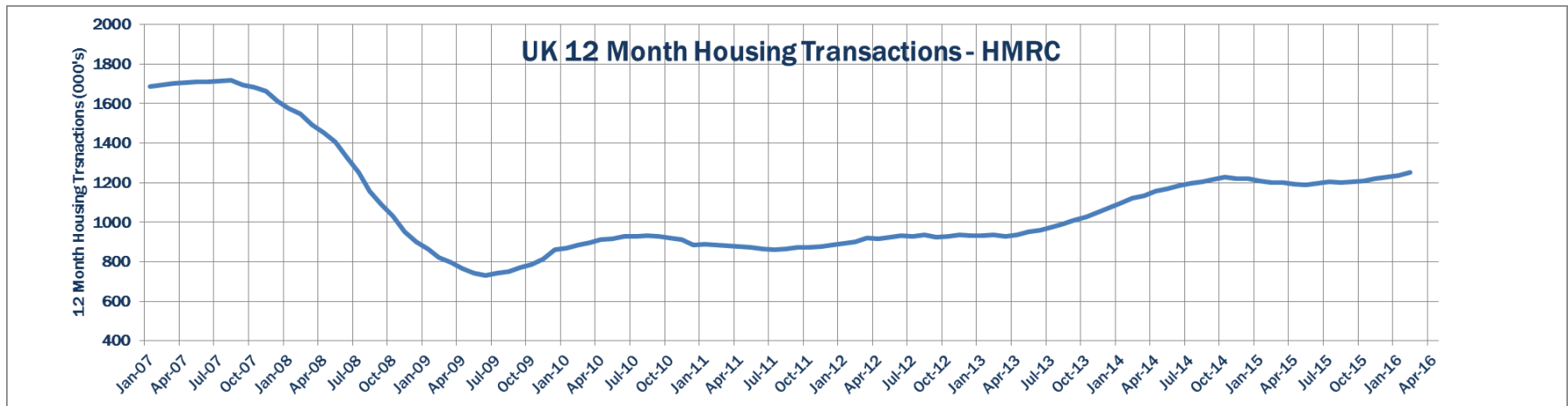
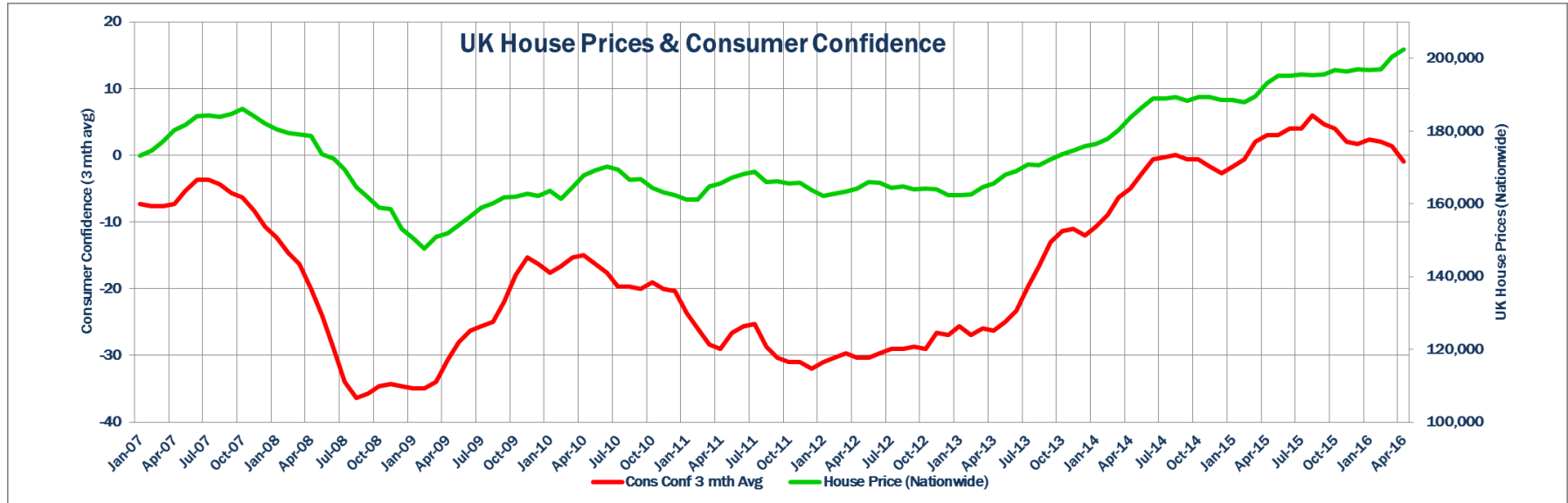
- Closure of legacy tax enquiries – c.£4m remains outstanding with HMRC
- Capex outlook remains at £10m-£12m (subject to any freehold acquisition)

Strategy & Operations

Matthew Williams

Chief Executive Officer

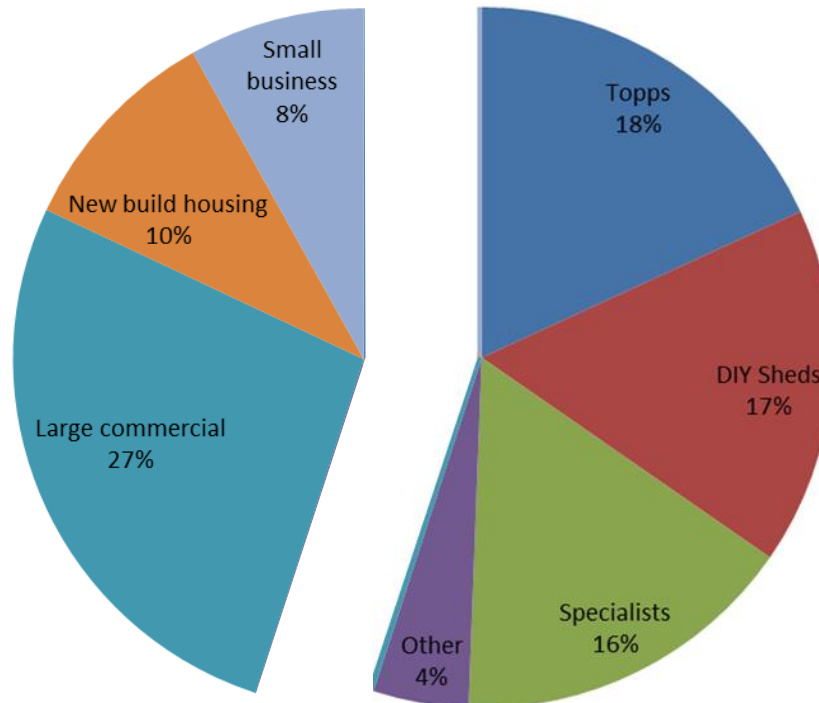
Market Backdrop



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

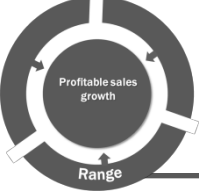


Source: AMA & MBD, Topps estimates

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

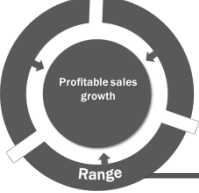


Range – Unrivalled Authority

Topps Tiles

- 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



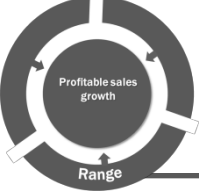


Range – Design Led Product Development

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





- 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'

Topps Tiles

- 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
Mould and water resistant
Suitable for walls and floors

HEADLINE DEAL 3 FOR 2
ONLY ON SELECTED TRADING TRADER VOUCHERS

Hardiebacker Board - 6mm 1200x600mm (1) 2634	Hardiebacker Board - 12mm 1200x600mm (1) 2634
1 BOARD FOR ONLY £11.99 inc VAT	1 BOARD FOR ONLY £23.98 inc VAT
2 BOARDS FOR ONLY £19.98 inc VAT	2 BOARDS FOR ONLY £35.96 inc VAT

Don't forget!
Alkaline resistant tape essential for sealing Hardiebacker board joints

Hardiebacker Board - 6mm 1200x600mm (1) 2634	Hardiebacker Board - 12mm 1200x600mm (1) 2634
1 BOARD FOR ONLY £13.59 inc VAT	1 BOARD FOR ONLY £27.18 inc VAT
2 BOARDS FOR ONLY £26.18 inc VAT	2 BOARDS FOR ONLY £52.36 inc VAT

Topps Tiles

Topps Tiles
trade
REWARDS CLUB

RECEIVE A
£20
TOPPS TILES VOUCHER

OR
TRADE UP
NOW 15
GREAT PRODUCTS

Topps Tiles
trade
REWARDS CLUB

HOW DOES TOPPS TILES TRADE REWARDS CLUB WORK?

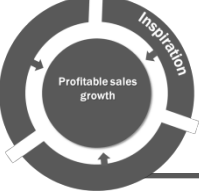
1. Sign up to Topps Tiles Trade 2. A box of your rewards card will be supplied for every order of £50.00 plus in each transaction 3. Get a voucher for every completed card of 'Trade up' the merchandise in your completed cards for top products

Item No.	Item Name	Date
1	£20 VOUCHER	
2	£20 VOUCHER	
3	£20 VOUCHER	
4	£20 VOUCHER	
5	£20 VOUCHER	
6	£20 VOUCHER	
7	£20 VOUCHER	

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

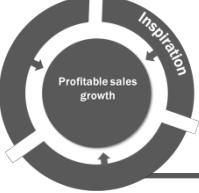
Topps Tiles
trade
REWARDS CLUB

<p>1x CARD (SOL 42225)</p> <p>ROUGHNECK 3 PIECE BOOSTER & CHISEL SET WORTH £24.99 Inc VAT</p>	<p>1x CARD (SOL 42234)</p> <p>ROUGHNECK 3 PIECE MULTI PURPOSE BAR SET WORTH £24.99 Inc VAT</p>	<p>1x CARD (SOL 42279)</p> <p>ROLSON TOW LED RECHARGEABLE LIGHT WORTH £29.99 Inc VAT</p>
<p>2x CARDS (SOL 42250)</p> <p>ARRU MAX PLATFORM 900MM XL WORTH £49.99 Inc VAT</p>	<p>3x CARDS (SOL 42267)</p> <p>FERN BEST OF TILING KIT WORTH £69.99 Inc VAT</p>	<p>3x CARDS (SOL 42192 / 42482)</p> <p>ROLSON AT 15 ANGLE GRINDER & RUB TVAL 15MM SUPER PRO VIBER BLADE WORTH £71.07 Inc VAT</p>
<p>4x CARDS (SOL 42261)</p> <p>KARCHER K2 HIGH PRESSURE CAR & HOME CLEANER WORTH £99.99 Inc VAT</p>	<p>4x CARDS (SOL 42267)</p> <p>KARCHER WVS PREMIUM WINDOW VAC WORTH £135.00 Inc VAT</p>	<p>5x CARDS (SOL 42268)</p> <p>IMEX BULLSEYE 70 LASER MEASURER WORTH £159.99 Inc VAT</p>
<p>5x CARDS (SOL 42267)</p> <p>LANDMANN GRILL CHEF TENNESSEE BROILER BBQ WORTH £139.99 Inc VAT</p>	<p>6x CARDS (SOL 42243)</p> <p>KARCHER SC3 STEAM CLEANER WORTH £149.99 Inc VAT</p>	<p>7x CARDS (SOL 42248)</p> <p>MILWAUKEE CS40 CIRCULAR SAW WORTH £159.99 Inc VAT</p>
<p>7x CARDS (SOL 42270)</p> <p>IMEX PALM CROSS LINE LASER & TRIPOD WORTH £189.99 Inc VAT</p>	<p>8x CARDS (SOL 42247)</p> <p>MILWAUKEE P27Z SDS + HAMMER DRILL WORTH £199.99 Inc VAT</p>	<p>8x CARDS (SOL 42199)</p> <p>FERN MULTIMASTER TOP 350 WORTH £227.95 Inc VAT</p>



- 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