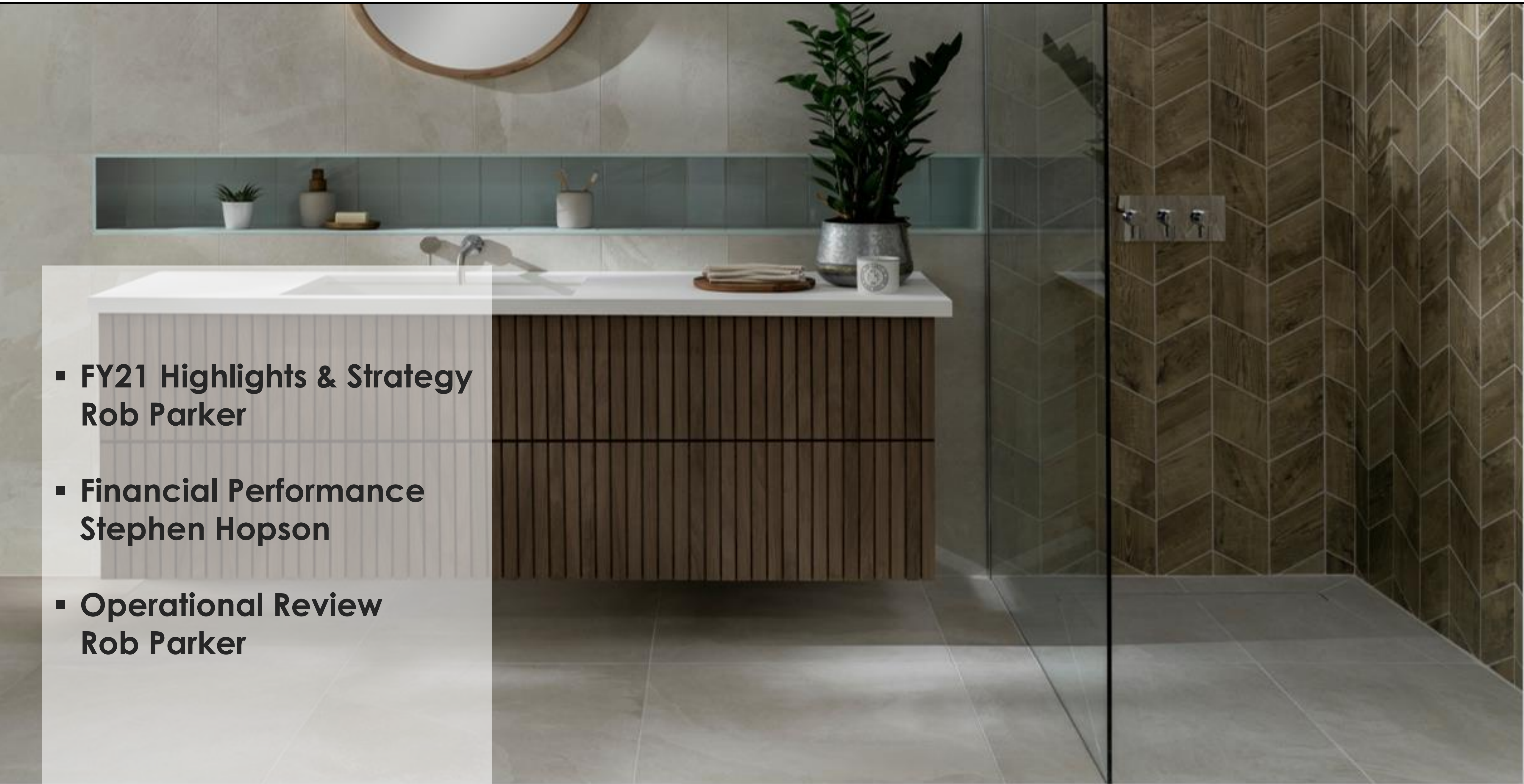
Full Year Results 2021
Analyst & Investor Presentation

Agenda

Topps Tiles

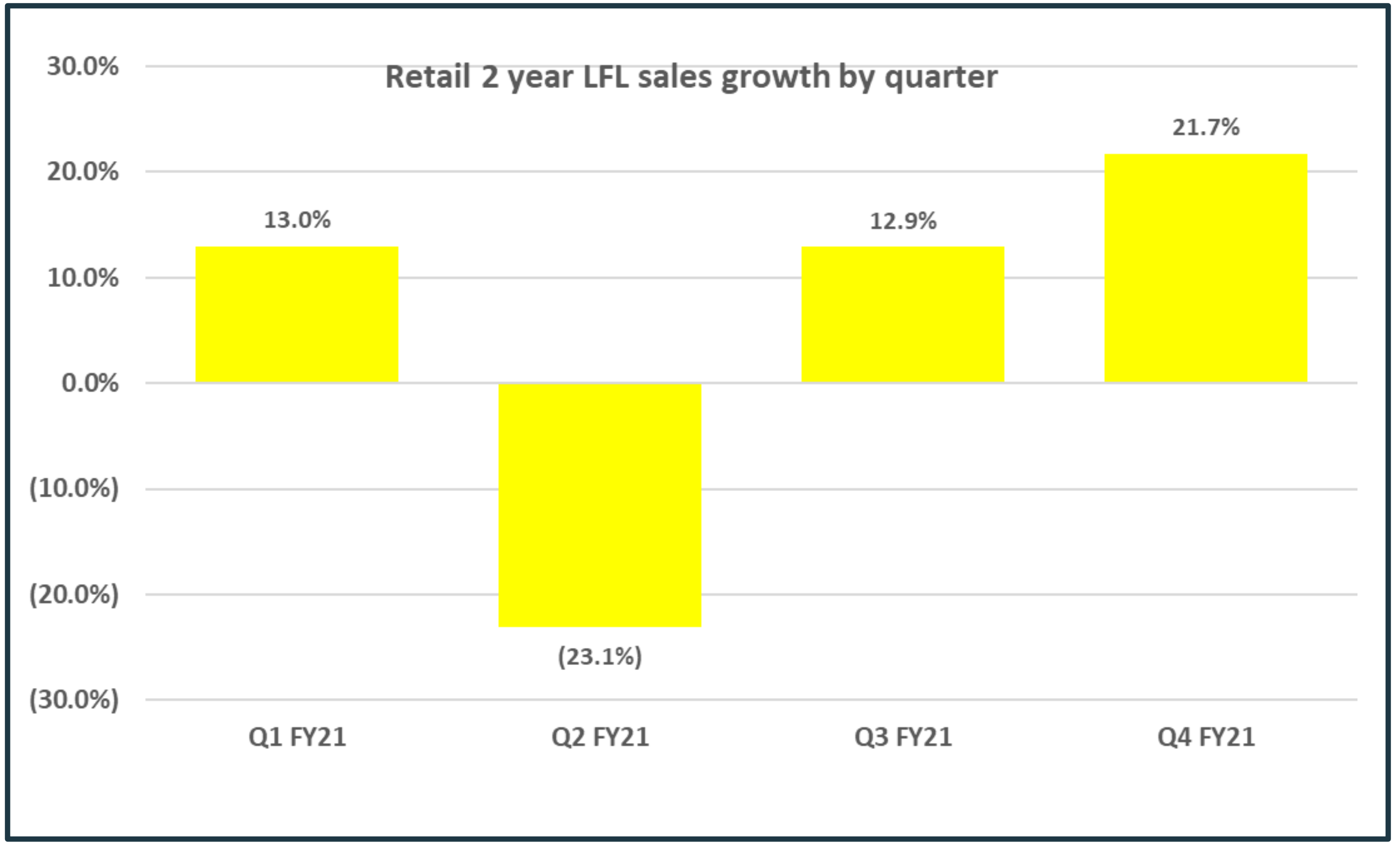


- **FY21 Highlights & Strategy**
  Rob Parker
- **Financial Performance**
  Stephen Hopson
- **Operational Review**
  Rob Parker

FY21 Highlights & Strategy

Rob Parker
Chief Executive Officer

FY21 in Summary



FY21 Performance Summary	
Retail LFL sales – YoY	+19.6%
Retail LFL sales – Yo2Y	+6.3%
Sales	£228.0m
Adj Pre Tax Profit	£15.3m
Adj EPS	6.13p
Stat Pre Tax Profit	£14.3m
Adj Net Cash	£27.8m
LAROCE	17.5%

Online Retail Visitors c.200k p/w

Retail Customer Satisfaction 88.4%

Commercial Sales £8.6m, +15%

Dividend (reinstated) 3.1 pps, 2x cover

Goal & Strategy

Goal

ONE-IN-FIVE
BY 2025

- Group goal of 1 in 5 by 2025 – 20% market share.
- Applies to coverings, adhesive & grouts – c.£1bn addressable market
- Equates to sales of c.£250m by 2025 (subject to market) - material upside in Group profitability
- Progress in year – now at 17.6% (underlying)

Strategy

- Strategy focused on growth to take market share
- Core Group strengths of product and customer service leveraged through two trading businesses
- Retail business is mature market leader with opportunities to grow further
- Commercial represents material growth opportunity
- Environmental ambition now established – goal to be carbon balanced by 2030

Strategic Highlights

Record year of turnover, retail profits ahead of FY19 and good progress towards goal of 1 in 5

Retail - Stores

- World class customer satisfaction scores
- Value focus is a key source of growth opportunity – 1m m2
- Profitable rationalisation of store estate (now 313), with greater focus on formats
- Physical offer key for fitters (57% of sales)

Product

- Technical innovation expanding market – e.g. 2cm outdoor, XL, anti-bac, wood & stone effects
- Brands & exclusivity strengthen our advantage
- New product categories represent growth opportunity – e.g. Luxury Vinyl Tile

Retail – Digital

- Omni-channel Retail business model – majority of homeowners start online but also visit local store
- Multiple award winning website
- #1 for tile search traffic – around 3x next largest competitor

Commercial

- Key strategic source of growth
- FY sales +15%, H2 +55% YoY
- Scottish market entered through strategic partnership
- Eco leadership a key source of advantage

Environment & Sustainability

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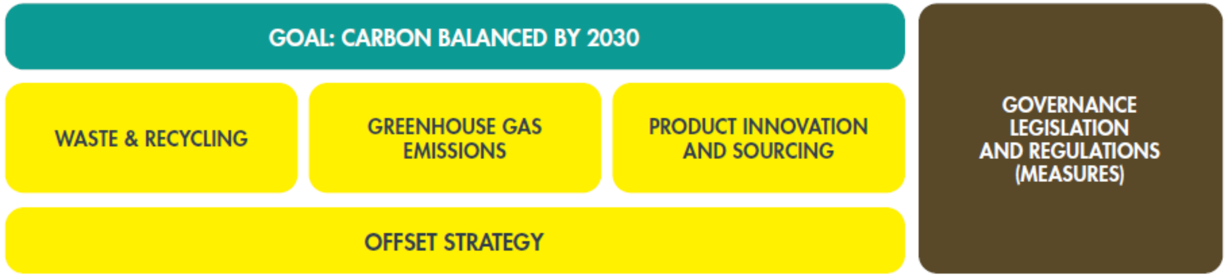
- Environmental leadership established as key element of strategy
- Goal to be carbon balanced by 2030 – 10 years ahead of BRC ambition
- Plan to focus on five elements – measure, waste, reduce, innovate, offset



- World Land Trust partnership established – initial phase of measure completed – c.10,500 tonnes of carbon generated annually
- Commercial business now ISO14001 accredited
- Regenr8 adhesive launched – featuring Ecosand (exclusive to Topps Group)
- 148 ranges (c.40%) with up to 98% recycled content
- LED lighting retrofit completed – est. 2,000 tonnes of carbon saving pa with c.£1m pa reduced running costs

WORLD LAND TRUST

International Organization for Standardization ISO 14001:2015

Omni-channel Retail business

Est **650,000** web searches per week

Majority of customers use web at start of purchase journey

c.200,000 web visitors

c.6-8% of sales transacted online

35% 'pure play' online = **2%** of total sales

70% sales delivered to home

c.180,000 store visitors

98% of sales involve a store

65% of online orders involve a store

30% of online orders are collected from store

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FLEXIBLE OMNICHANNEL RETAIL MODEL

COMBINATION OF STORE AND WEB IS KEY TO CUSTOMER CONVENIENCE

Financial Performance

Stephen Hopson
Chief Financial Officer

Financial Summary

- Record year for turnover at £228m
- Adjusted PBT of £15.3m - near pre-covid levels
- Underlying cash flow +£12.5m
- Strong balance sheet: £27.8m adjusted net cash and no debt
- Dividend reinstated at 3.1p – 2x cover from FY adjusted EPS
- Excellent returns on capital employed – 17.5% LAROCE

Income Statement Highlights - Adjusted Measures

53 weeks ended 2 October 2021

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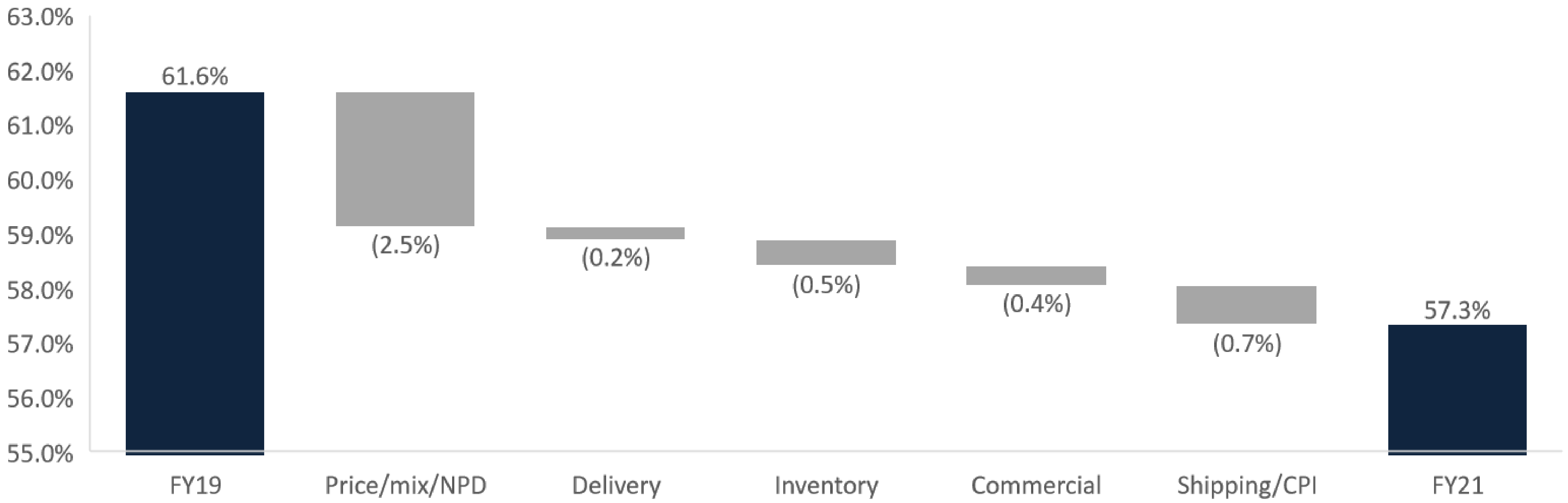
	FY 21	FY 20*	YoY
Sales - £m	228.0	192.8	+18.3%
Gross Profit - £m	130.7	112.8	+15.9%
Gross Margin %	57.3%	58.5%	(1.2)ppts
Opex - £m	111.4	108.4	(2.8)%
Interest - £m	4.0	0.8	(400.0)%
PBT - £m	15.3	3.6	+325.0%
Net Margin %	6.7%	1.9%	+4.8ppts
EPS - pence	6.13p	1.57p	+290.0%

- Retail LFL sales increase 19.6%: H1 +2.0%, H2 +39.8%. Commercial sales £8.6m: H1 -10%, H2 +55% vs LY
- Group gross margin decrease of 1.2 ppts driven by Retail price/mix/NPD and shipping
- Adjusted operating expenses increase 2.8% due to lower Government support and other factors
- BAU element of IFRS16 now included in adjusted metrics - impact immaterial at PBT level
- Adjusted PBT of £15.3m against £3.6m last year

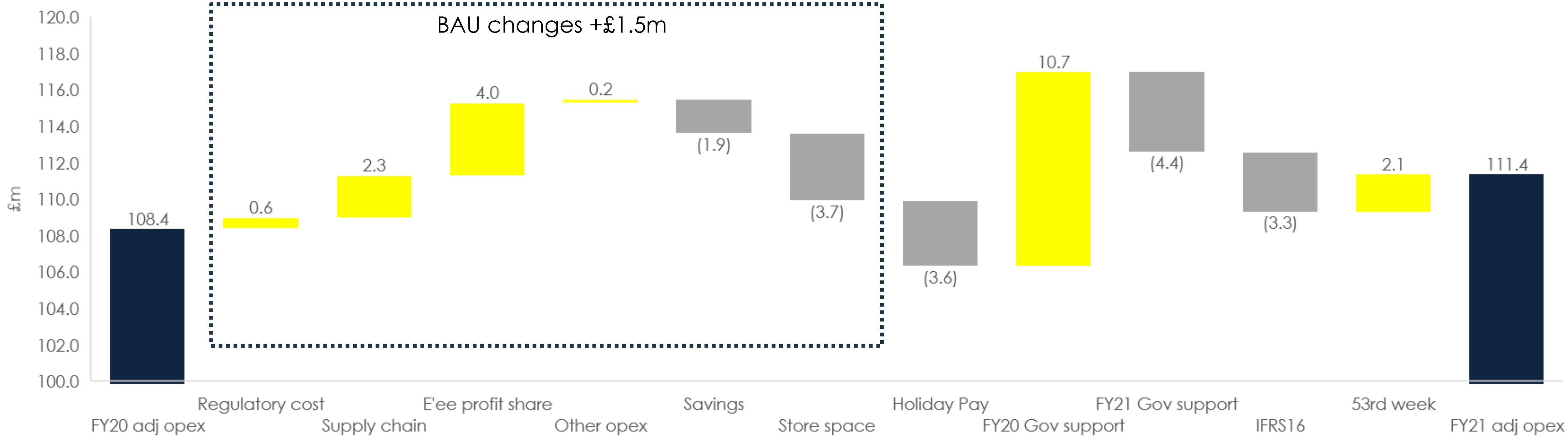
Note - Adjusted measures exclude several items which are either one off in nature or fluctuate significantly from year to year (such as some property related items)
** Adjusted measures in FY2020 excluded the impact of IFRS16*

Gross Margin Performance



- Strategic focus on value, higher trade customer mix, higher 'essentials' mix and NPD, resulting in growth in cash margin
- Delivery and inventory impacts from FY20 have partially reversed
- Continued growth in commercial business at lower gross margins
- Material impact from shipping

Adjusted Operating Expenditure Bridge



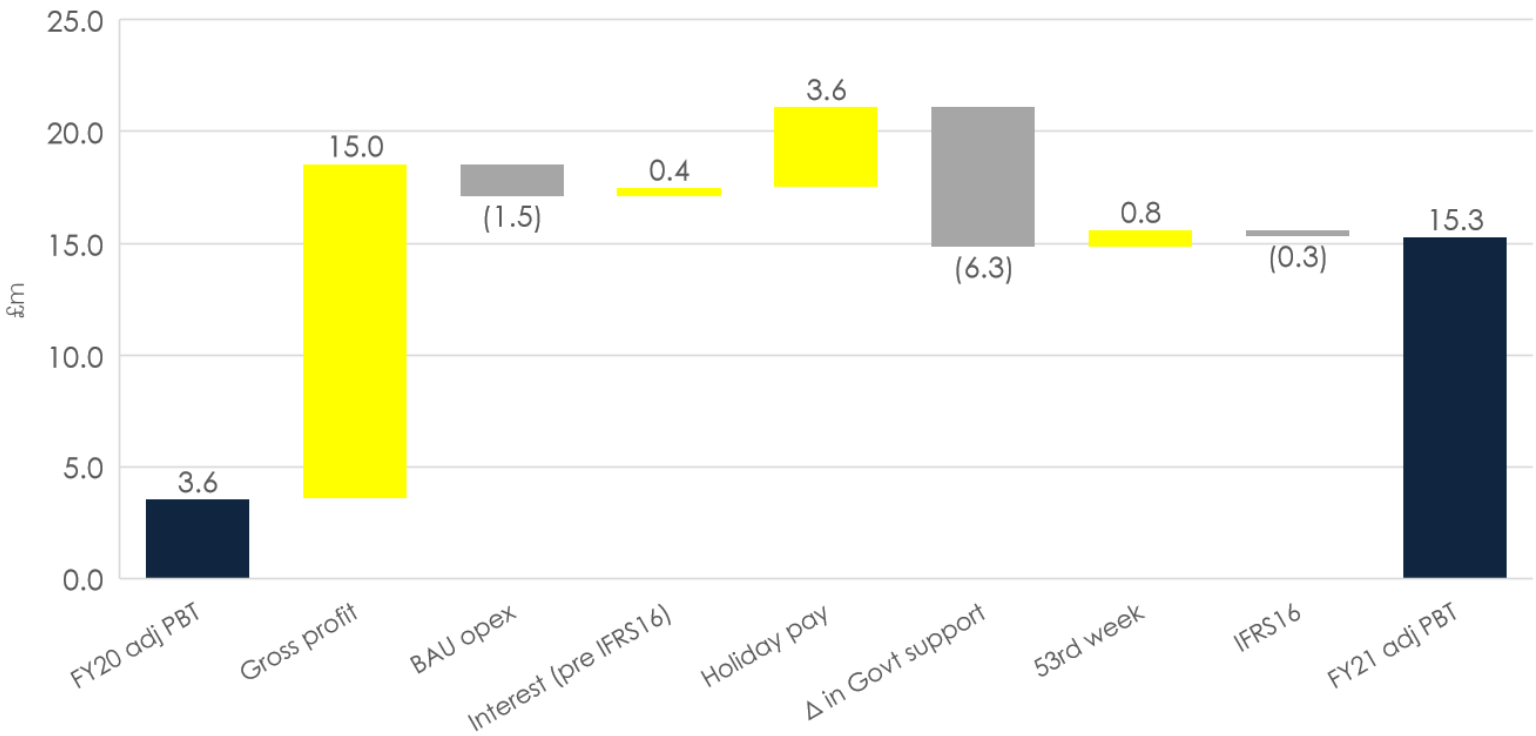
Business as usual changes:

- Regulatory cost based on NLW increase in April 21
- Supply chain costs up £2.3m overall, including additional volumes and subcontractor costs
- Employee profit share up from low levels in FY20 based on extremely strong H2 trading
- Annualisation of cost reduction programme delivering a further £1.9m savings in the first half year
- Average of 331 stores vs 357 in the prior year generating £3.7m reduction in costs (ex rent)

Other changes:

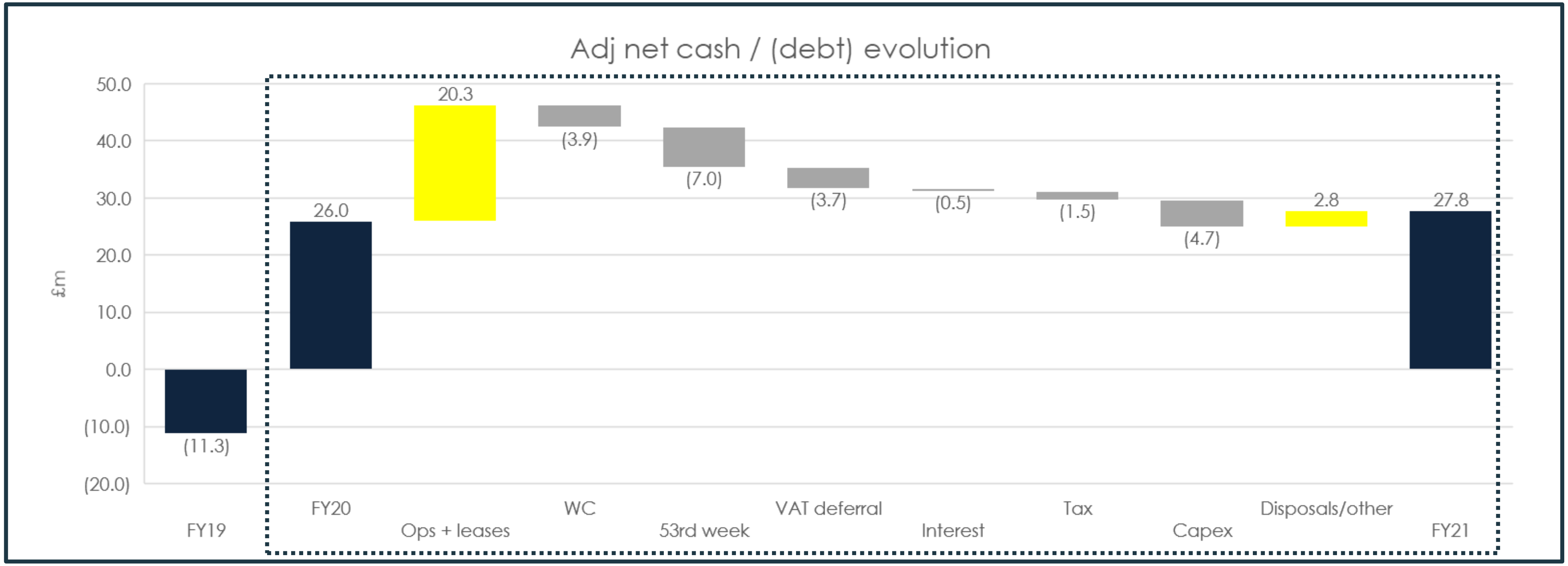
- Holiday pay changes due to Covid-19 – FY20 accrual of £1.9m, FY21 release of £1.7m
- Government support of £10.7m in FY20, £4.4m business rates in H1 FY21
- BAU element of IFRS16 now included in adjusted opex – reduces opex, increases finance costs
- 53rd week adds c £2.1m of costs

Adjusted Profit Before Tax Bridge



- Significant gross profit recovery despite periods of trading restrictions
- Estimated impact of trading restrictions on Q2 gross profit of £(10.9)m; H2 gross profit up £21.2m year on year
- BAU opex increases of £1.5m from supply chain and employee profit share, partially offset by retail store estate reductions and annualisation of FY20 cost reduction programme
- Significant YoY profit swing from holiday pay accrual reversal
- Government support in adjusted profit limited to H1 business rates relief £4.4m
- Modest profit upside from 53rd week
- IFRS16 'business as usual' now included in adjusted numbers – effect immaterial at PBT level

Adjusted Net Cash and Liquidity



Credit facilities

Facility	Limit	Expiry
Revolving Credit Facility	£39m	July 2023
Headroom to facilities at year end of £67m		

Note: Adjusted net cash / debt excludes lease liabilities under IFRS 16. 'Ops + leases' is equal to cash generated by operations before working capital movements, less the interest and capital elements of lease payments.

Lease Adjusted Return on Capital Employed (LAROCE)

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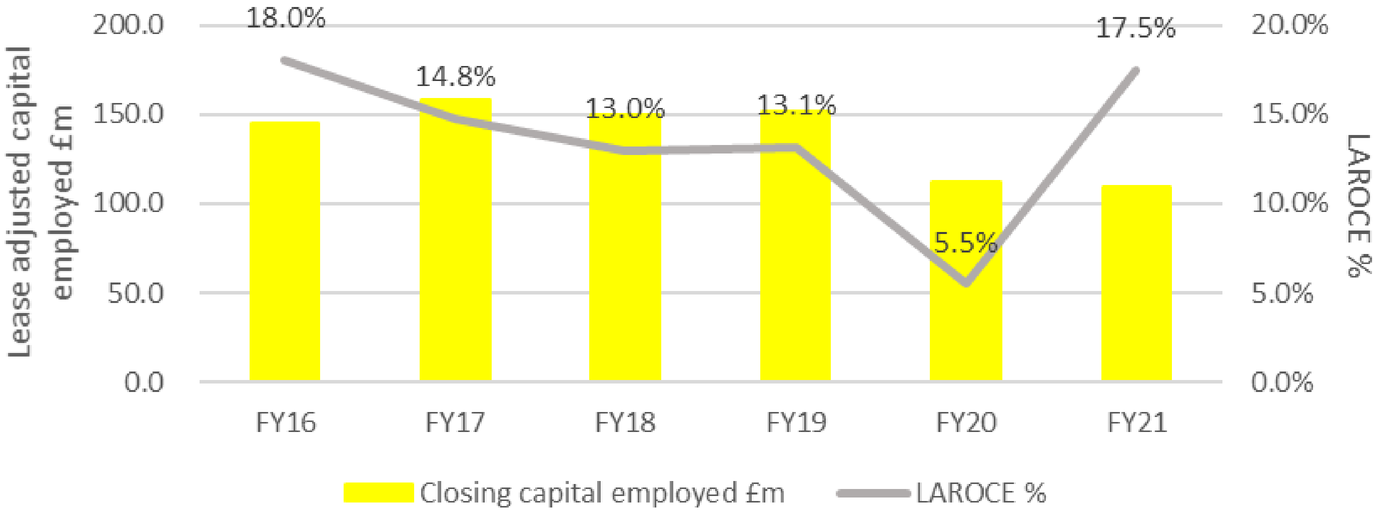

LAROCE analysis	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**
Average number of stores	344	361	372	366	357	331
Adjusted EBIT (post IFRS16) £m	***25.9***	***22.4***	***20.0***	***19.8***	***7.2***	***19.3***
Net assets £m	17.5	23.6	26.7	30.2	14.1	25.6
Net debt/(Net cash) £m	24.8	27.5	16.2	11.3	(26.0)	(27.8)
Lease liabilities £m	102.9	106.8	107.2	110.4	124.2	111.5
Closing capital employed £m	145.2	157.9	150.1	151.9	112.2	109.3
Average capital employed £m	***143.7***	***151.5***	***154.0***	***151.0***	***132.1***	***110.8***
LAROCE %	***18.0%***	***14.8%***	***13.0%***	***13.1%***	***5.5%***	***17.5%***

- £43m of LA capital employed removed since FY19
  - Adj net debt £39m lower
  - Lease liabilities £1m higher including £13m long term liability for head office and warehouse
  - Net assets £5m lower
- Retail stores down from 372 in FY17 to 313 at FY21 year end – down 16%
- LAROCE at highest level since FY16
  - Active property management
  - Strong profit transfer on store closures
  - Tight control of invested capital
  - Strong cash generation

Note: Adjusted EBIT and lease liability for years before implementation of IFRS16 (FY19 and earlier) are calculated based on estimates of lease liabilities, right of use assets and the resulting interest expense and depreciation of ROU assets, using FY20 and FY21 values as the basis for the adjustments.

Summary and Outlook

- **Summary**
  - Excellent performance in periods of unrestricted trading – record year of turnover
  - Growth strategy to deliver market share goal of '1 in 5 by 2025' with good progress in the year – now at 17.6% market share (underlying)
  - Dividend reinstated for the full year – 3.1 pence per share (2x covered)
  - Business well capitalised with strong balance sheet - £27.8m net cash at year end

- **Current Trading and Outlook**
  - Retail trading – 8 weeks are +18.4% on a 2 year LFL basis (-0.7% LFL on a 1 year basis - against a very strong prior year comparative)
  - Continued trading headwinds from reduced consumer confidence, global supply chains and cost inflation
  - Growth strategy, flexible supply chain and balance sheet strength provide platform for growth
  - Group strength in digital and opportunities for further growth

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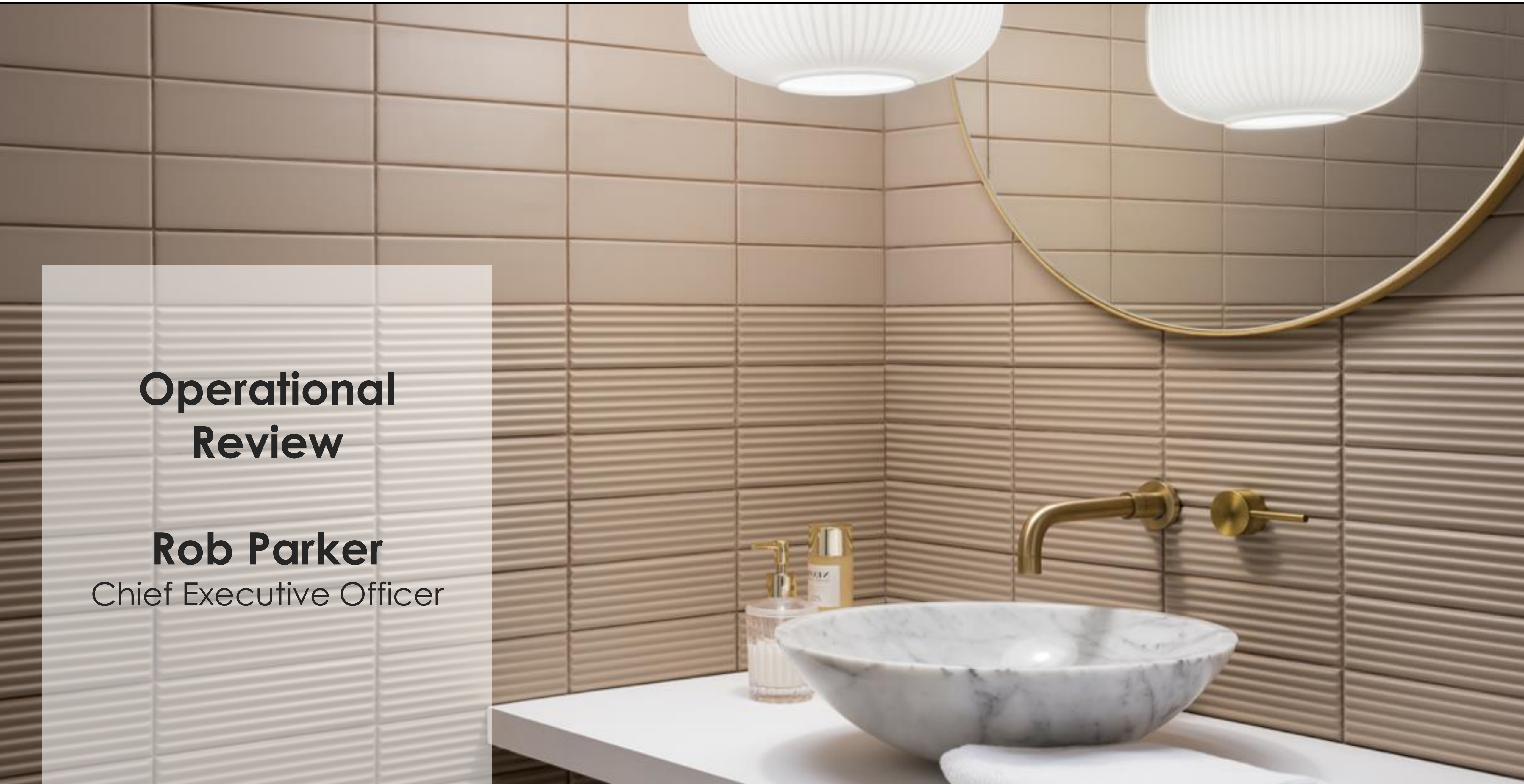

Operational Review

Rob Parker
Chief Executive Officer

Group Strategy

Leading Product

- Key source of competitive advantage – we are experts in ranging and sourcing of tiles and associated products on a global basis
- Leveraging scale – 70% of Group spend through strategic supply partners
- 52 new product introductions launched this year, over 1/3 design-led by us in collaboration with partners
- Outdoor remains a material opportunity – sold through our Everscape™ brand
- Luxury vinyl tile now sold online and through 100 stores
- Commercial business has access to 8,500 lines from over 160 suppliers

Hero Range – Regenr8™

- Innovative sustainable tile adhesive
- Unique market positioning - recycled content up to 53%
- Ecosand formed from recycled post consumer waste
- Unique supply partnership / Topps Group IP
- Launched across Retail and Commercial business in September 21
- Represents major opportunity as market requires greener products

Regenr8
ULTIMATE PERFORMANCE.
REDUCED IMPACT.

Supply Chain

- Global supply chain very challenged but our strength is a key advantage and has contributed to success this year
- Global sourcing capability – highly flexible supply chain
- Significant inflationary pressures – both cogs (incl gas), and shipping costs
- Future of supply chain likely to be more European based
- UK driver shortage causing some availability issues – especially accessing product from ports
- Stock build to provide greater security - £33m vs £29m last year

Leading People

- High levels of engagement are key to delivering world class customer service – 80% for FY20
- Ranked #12 in best retailers to work for by Retail Week in partnership with Glassdoor
- Strong well-being agenda – focus on – Mental / Financial / Physical / Social / Career health
- 43 Mental Health First Aiders and Employee Assistance Programme provides support where required
- Internal progression key - 29% of vacancies filled internally. 50% of Retail management roles filled internally.
- UK employment market challenging – key priority
- Focus on D&I and gender within the organisation. Female colleagues constitute 25.3% of the workforce, and 21.4% of managers

Retail

Great Experience - Digital

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- Multi-award winning digital presence in true omni-channel offer
- Digital traffic up 31% vs FY19
- Digital key for introduction and research
- Topps traffic accounts for c. 1/3 of tile related search terms – around 3x larger than next biggest competitor
- Free samples service online - demand trebled during Q2 lockdown
- Social media engagement
  - Facebook and Instagram impressions up 184% yoy
  - 900k engaged Pinterest users – up from 600k at half year

Tile My Home

- Allows customer to visualise products in their own home
- Over 1m people per year use Tile My Home
- Significant increases in likelihood to order samples and products after using this functionality
- Sales tool for trade customers

Great Experience – Stores

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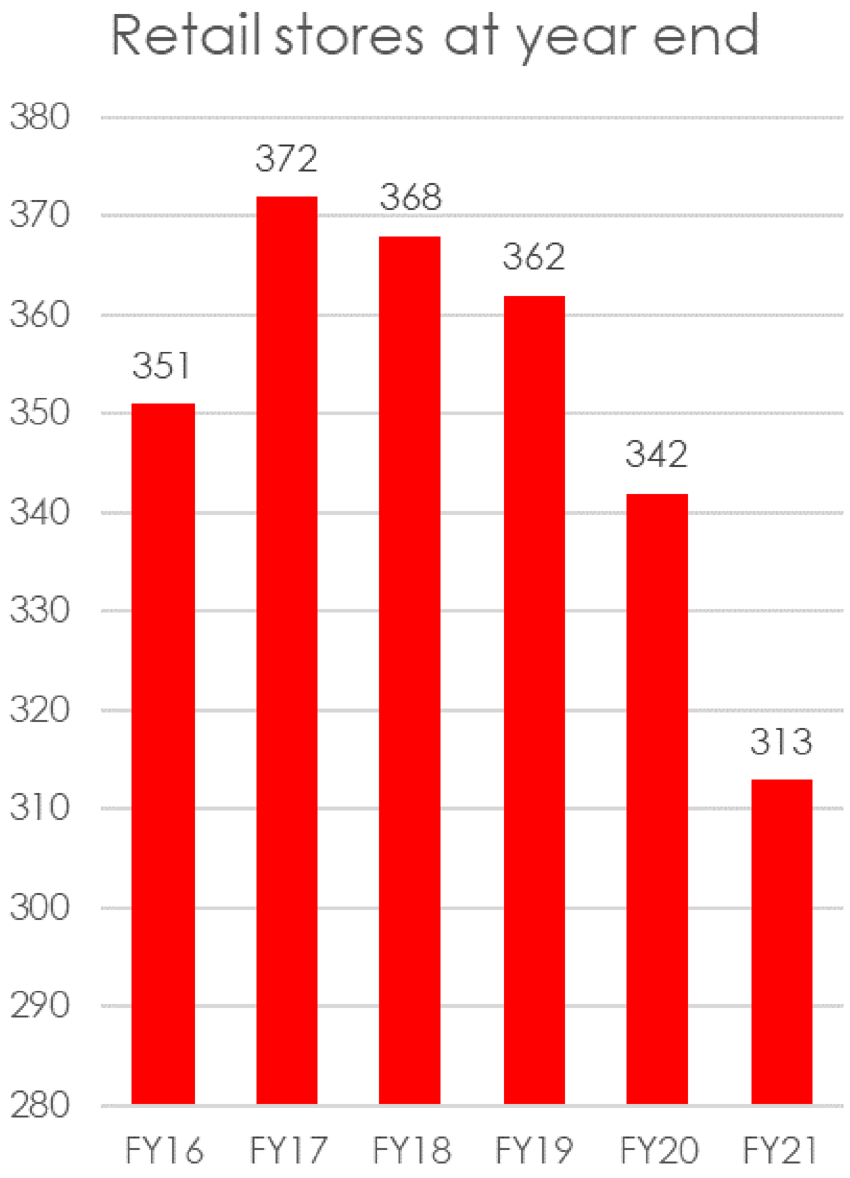
- World class customer service - 88% OSAT
- Customers value stores : c.89% use a store for collection including 35% of online orders
- Fitters value physical offer (57% of sales)
- Leveraging space with NPD
- Target of c.300 stores – 313 at year end
- 49 non-trading stores, of which 30 disposed by year end, 15 others with breaks in FY22
- Flexibility in portfolio is a strength - average unexpired lease term of 3.3 years



Great Value

- 'Value' a greater area of focus for both coverings and essentials
- 1m square metre opportunity identified at price points < £20 psm – good progress made in the year
- Essentials ranges benchmarked against all key competitors
- Trade bulk deals (5+)
- Strong promotional campaigns
- Clearance concept trial : 8 stores

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Commercial

PARKSIDE
ARCHITECTURAL TILES

strata
tiles

Commercial Strategic Rationale

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- Commercial market is approximately the same size as domestic - entry in 2017 doubled our addressable market whilst maintaining our specialism in tiles
- Strategy of 'disrupt and construct' with an ambition to be #1– est. £25m of sales by 2025 – key component of our 1 in 5 by 2025 goal
- Group specialism - supplier relationships and scale are key sources of competitive advantage
- World class customer service – client relations vital
- Two brands with clear differentiation – Parkside – focus on design led tile specifications (esp Leisure, Hospitality & Housebuilding), Strata – technical tile specialists (esp Retail & Transport)
- Participation provides insights into tile trends and new technology through close relationships with designers and architects

strata tiles

PARKSIDE ARCHITECTURAL TILES

Performance and Strategic Progress

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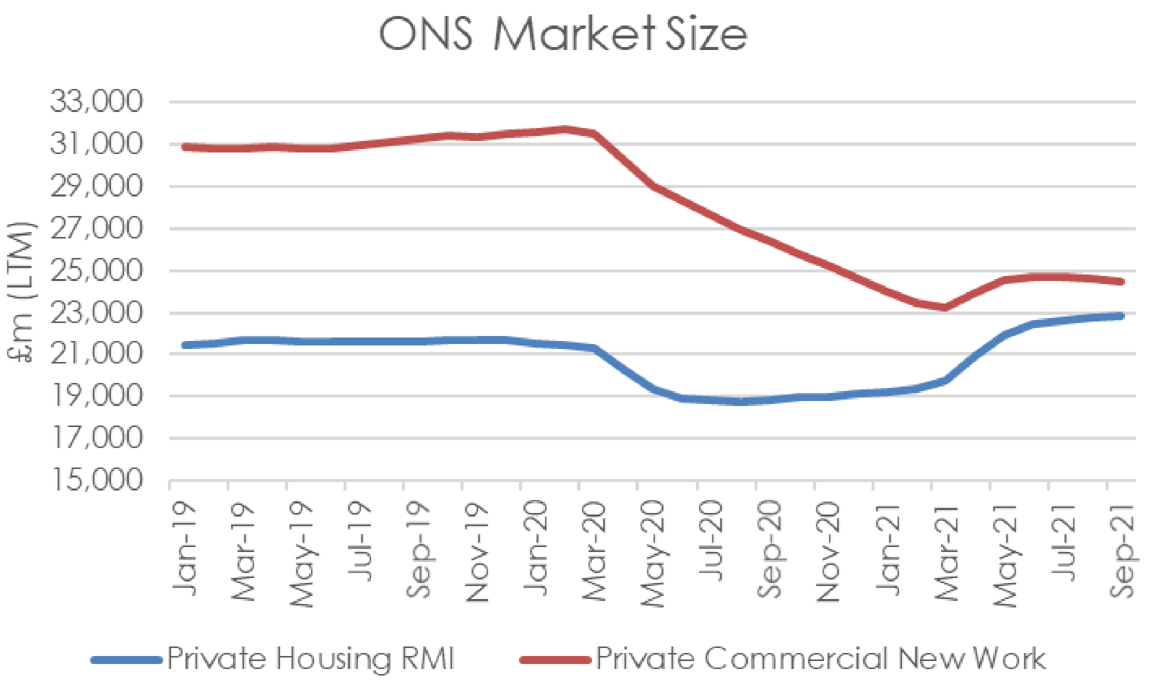
- FY sales of £8.6m (+15% YoY) with H2 +55% YoY
- ONS private commercial expenditure down 7.2%
- Order bay at year end strong, +45% YoY
- Trading loss of £1.6m with overhead scaled for growth

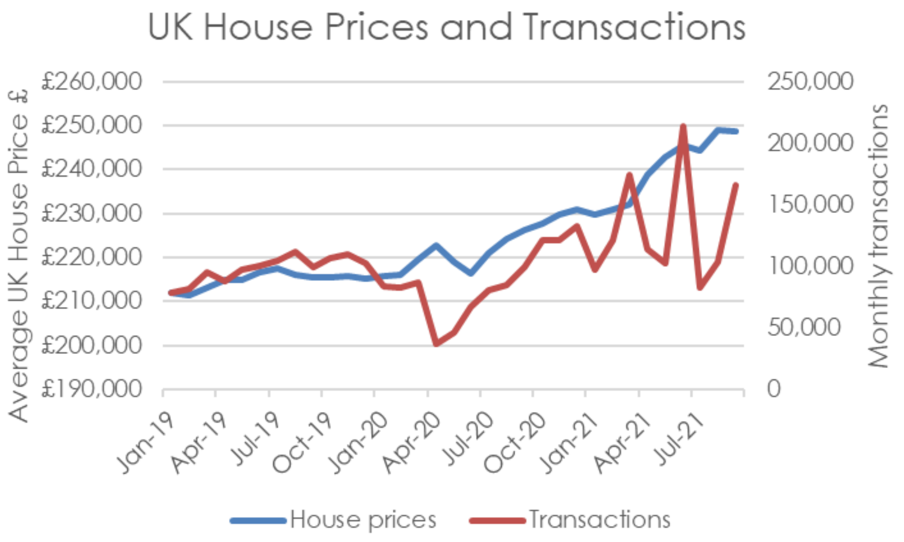
- Increased focus on new areas of growth:
  - Build to rent, housebuilders
  - AJ100 clients
  - Strategic partnership in Scotland
- Positive signs in hospitality and leisure
- Environmental leadership resonates with architects and designers

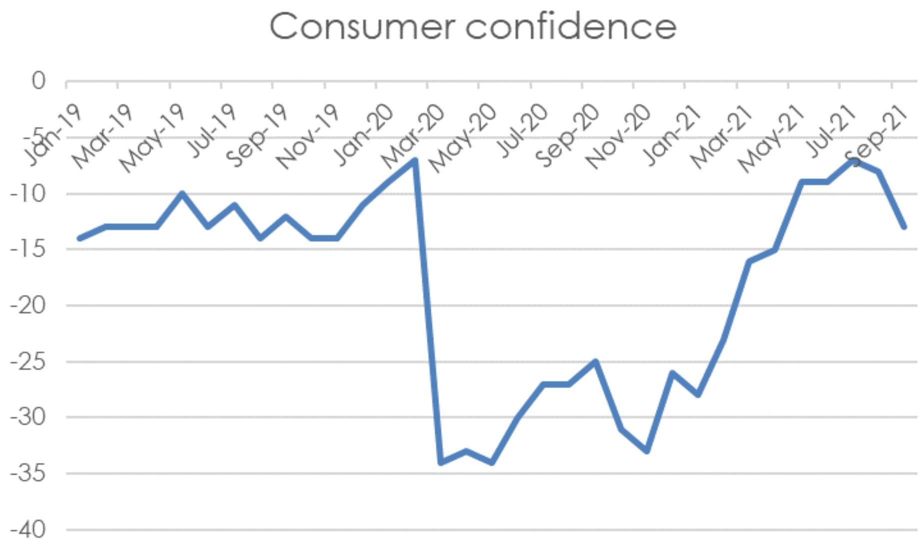
Q&A

Appendix

Market Data







October 20 to September 21	
Private Housing RMI:	+21.1% YoY
Private Commercial New Work:	(7.2%) YoY

Sources: ONS 'Output in the construction industry' – value non-seasonally adjusted data; Nationwide House Price Index; National Statistics Monthly Property Transactions (residential); GfK Consumer Confidence Index

Cash Flow Highlights

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	FY 21		FY 20		YoY	
	£m	£m	£m	£m	£m	£m
Cash flows generated by operations before WC	47.0		35.1		11.9	
Change in working capital	(14.6)		20.8		(35.4)	
Interest	(4.2)		(3.9)		(0.3)	
Tax	(1.5)		(1.0)		(0.5)	
Net cash from operating activities		**26.7**		**51.0**		**(24.3)**
Capital expenditure	(4.7)		(6.7)		2.0	
Disposals	2.1		18.6		(16.5)	
Capital element of lease liabilities	(23.0)		(21.5)		(1.5)	
Other	0.7		0.4		0.3	
Free cash flow		**1.8**		**41.8**		**(40.0)**
Dividends	-		(4.5)		4.5	
Reduction/(increase) in net cash		**1.8**		**37.3**		**(35.5)**

- Free cash flow was a £1.8m inflow, with closing net cash of £27.8m
- Key drivers for the increase in net cash were:
  - £14.6m outflow of working capital with the following key movements : 53rd week resulted in a £7m outflow due to additional payroll and supplier payment runs; £3.7m repayment of deferred VAT; increase in stock of £3.4m as a response to global supply chain challenges
  - Similar capex excluding acquisitions year on year
  - No final dividend payment from the prior year or interim dividend paid in the year

Balance Sheet Highlights

	FY 2021	FY 2020	YoY
Intangibles - £m	1.2	0.9	0.3
Freehold Property - £m	1.0	3.1	(2.1)
Fixed Assets - £m	22.7	25.8	(3.1)
Right-of-Use & Sublease Assets - £m	98.3	109.9	(11.6)
Inventory - £m	32.8	29.3	3.5
Receivables/Payables/Provisions - £m	(45.2)	(57.2)	12.0
Borrowings - £m	-	(5.0)	5.0
Lease Liabilities - £m	(111.3)	(124.2)	12.9
Cash - £m	27.8	31.0	(3.2)
Net Cash / (Debt) - £m (pre-IFRS 16)	27.8	26.0	1.8
Net Assets - £m	25.6	14.1	11.5

- Intangibles increase relates to costs capitalised in relation to the implementation of a new HR system
- The Group holds two freehold properties with a book value of £1.0m, having sold three properties during the year (sale price £2.1m)
- Fixed assets reduction relates to the depreciation partially offset by net additions/disposals
- At the year-end, the Group holds Right-of-use assets of £95.4m and sublease assets of £2.9m as a result of IFRS 16 which was adopted in FY 2020.
- Inventory increased YoY as a result of a decision to hold additional stock in light of supply chain challenges. Inventory days at 123 days (2020: 134)
- Lease liabilities of £111.3m held on the balance sheet from the implementation of IFRS 16 in FY 2020
- Net cash position of £27.8m, an increase of £1.8m YoY

Statutory Income Statement

53 weeks ended 2 October 2021

	FY 21	FY 20*	YoY
Adjusted Profit before tax (£m)	**15.3**	**3.6**	**11.7**
Adjusting items (£m):			
Property	(3.3)	(7.3)	4.0
Commercial	-	(5.6)	5.6
Other	2.3	(0.5)	2.8
Profit before tax (£m)	**14.3**	**(9.8)**	**24.1**

- Adjusting items in FY21 consist of:
  - Property related items including impairment of property, plant and equipment (£1.0m) and vacant property and closure costs (£2.1m).
  - In the second half year we have included a normal level of business rates expense within our adjusted profit to improve comparison with the prior year. Business rates relief of £6.7 million was received over the full year, including £2.3 million in the second half, which we estimate is significantly lower than the negative profit impact of trading restrictions during the year as a whole. The business rates relief received in H2 of £2.3m has been excluded from adjusted profit.

**FY 20 was a 52 week period*