



# Topps Tiles

Results for the 52 weeks ended 29 September 2012





**Matt Williams – Chief Executive Officer**



**Rob Parker – Chief Financial Officer**

**Matthew Williams**  
Chief Executive Officer

# Highlights

**Topps Tiles**

- Total revenues of £177.7m, an increase of 1.3%
- FY LFL sales of -0.7%, H2 LFL of +3.5%
- #1 goal remains to take profitable market share – now 27%
- Net promoter score at 90.6% (2011 : 88.1%)
- Adjusted profit before tax of £12.8m (2011 : £13.9m)
- Prudent development of store estate – 23 stores newly fitted out, further 18 partially refitted
- Final dividend – 0.75 pence per share, 1.25 pence full year - 13.6% increase







# Business Strategy

## Product Offer



- Broadest range – 5,500 items, core range of 3,000, 800 in stock
- Product innovation is key – 20% of range refreshed annually
- New range launched on average every week
- Specialist buying team and operational flexibility drives short lead times to market
- Exclusive ranges and development of in-house brands
- Trends continue towards larger formats, porcelain and stone imitations
- Wood re-launched – early results from new range encouraging

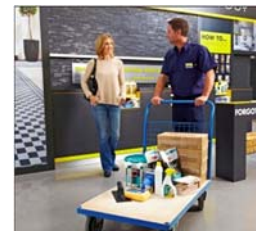


# Business Strategy

## Customer Service



- Strategy continues to focus on engaging our people to inspire our customers with their home improvement projects
  - Staff engagement score of 74%
    - Share ownership encouraged amongst employees
    - Training – specialist product knowledge essential (online training & face to face)
    - Apprenticeships – over 600 colleagues have benefitted from our NVQ programme
  - Customer satisfaction and conversion remain very high – NPS 90.6%
    - Friendly, knowledgeable, helpful, honest staff – never pushy
    - Results driven - mystery shop, balanced scorecard, commissions
- Service remains key differentiator – hard for competitors to imitate



# Business Strategy

## Locational Convenience



- 325 stores across the UK at year end, 12/13 target of 330
- 23 stores fully fitted in period (13 new stores and 10 conversions)
- Conversions from TCH trading well, improved performance and greater synergies, majority now completed
- Lab store in Milton Keynes includes a variety of new fixtures, fittings and merchandising treatments aimed at creating a more inspirational customer experience
  - Customer feedback strong
  - Key elements to be included in new stores
  - Analysing opportunity for partial retrofit of older stores





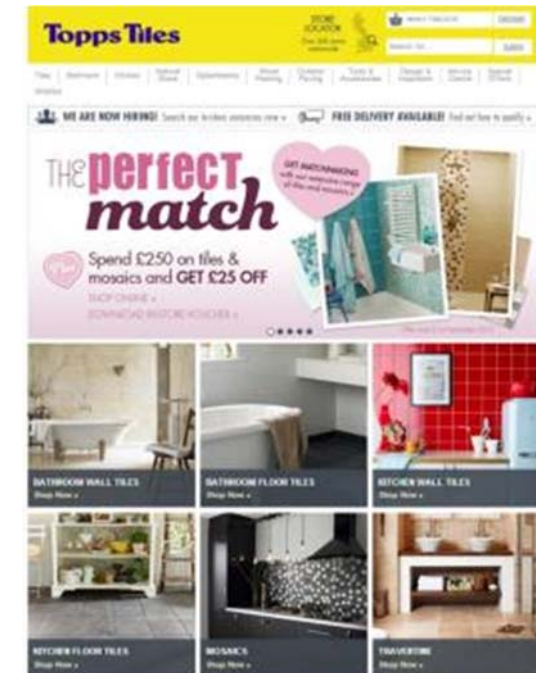
- Retail marketing strategy is focussed on broadening appeal whilst continuing to concentrate on core customers
- Activities to drive awareness and footfall - National TV campaign / C4 News and ITV Daybreak sponsorship
  - Daybreak committed for 2013
- PR activity and advertorials key in improving consideration amongst potential new customer groups
- Brochure continues to develop and is key communication vehicle for both retail and trade customers
- Trade specific marketing includes direct mail, Talksport and local initiatives



# Digital

**Topps Tiles**

- Key marketing tool - first point of call for pre-purchase research
- Average of 500k visits per month (2011: 300k), with 4.6m page views (2011: 3.3m)
- Closely integrated with stores
  - Store locator page is key footfall driver
  - Online fulfilment through stores
  - Online store reviews
- Online based “visualiser” – options for store trial being considered
- Primarily a research tool but online sales also important at c.2% of turnover



**Rob Parker**  
Chief Financial Officer

# Income Statement Highlights

52 weeks ended 29 September 2012

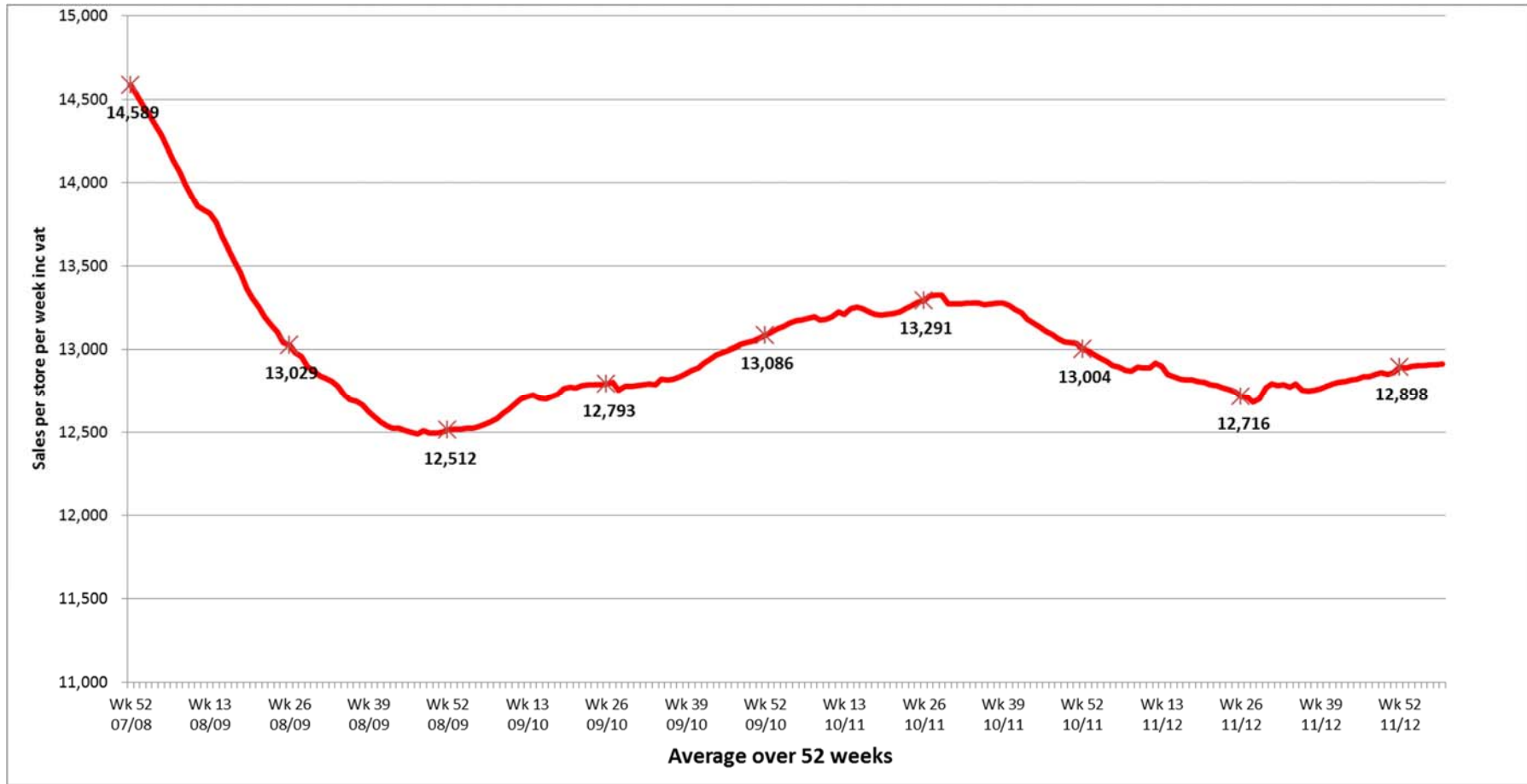


|                                       | 10/11       |               | 11/12      | 11/12      | 11/12       |              |
|---------------------------------------|-------------|---------------|------------|------------|-------------|--------------|
|                                       | FY          | YoY %         | H1         | H2         | FY          | YoY %        |
| Sales - £m                            | 175.5       | -1.8%         | 86.6       | 91.0       | 177.7       | 1.3%         |
| Gross Profit - £m                     | 105.9       | 0.8%          | 51.7       | 54.9       | 106.5       | 0.6%         |
| Gross Margin %                        | 60.3%       | 1.6%          | 59.7%      | 60.3%      | 60.0%       | -0.3%        |
| Adjusted Opex - £m                    | (87.7)      | 4.0%          | (44.6)     | (45.3)     | (90.0)      | 2.6%         |
| <b>Adjusted Operating Profit - £m</b> | <b>18.2</b> | <b>-12.2%</b> | <b>7.1</b> | <b>9.5</b> | <b>16.6</b> | <b>-8.8%</b> |
| Operating Margin %                    | 10.4%       | -1.2%         | 8.2%       | 10.4%      | 9.3%        | -1.1%        |

- Total revenues up 1.3%, -0.7% on a LFL basis
- Margin increased by 60bps vs H1 with H2 run rate at 60.3% driven by warehouse gains
- Opex – increases driven by inflation and additional stores have been partially offset by operational savings

Note - 2011 Gross margin was restated from 59.6% to exclude a one off charge to inventory

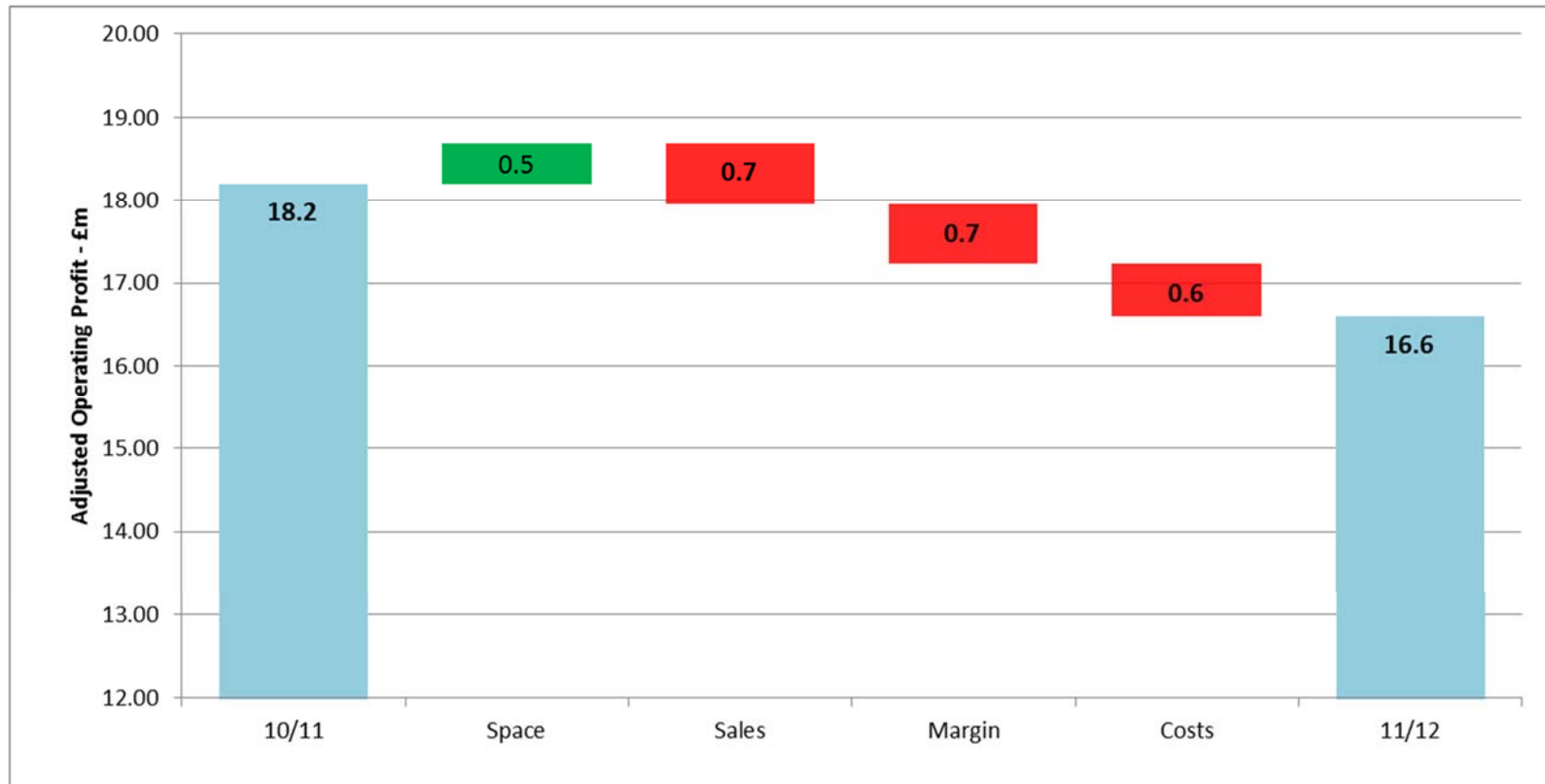
# 52 Week Rolling Average Sales





# Adjusted Operating Profit Bridge

52 weeks ended 29 September 2012



# Income Statement Highlights

52 weeks ended 29 September 2012



|                          | 10/11       |        | 11/12 | 11/12 | 11/12        |         |
|--------------------------|-------------|--------|-------|-------|--------------|---------|
|                          | FY          | YoY %  | H1    | H2    | FY           | YoY %   |
| Interest - £m            | (4.3)       | -11.7% | (1.5) | (2.3) | (3.8)        | -11.6%  |
| <b>Adjusted PBT - £m</b> | <b>13.9</b> | -12.3% | 5.6   | 7.2   | <b>12.8</b>  | -7.9%   |
| Net Margin %             | <b>7.9%</b> | -0.9%  | 6.4%  | 7.9%  | <b>7.2%</b>  | -0.7%   |
| One offs - £m            | (4.4)       | 292.1% | 0.0   | 0.5   | <b>0.5</b>   | -111.4% |
| MTM - £m                 | (1.6)       | -41.4% | (0.6) | (0.2) | <b>(0.8)</b> | -50.0%  |
| <b>PBT - £m</b>          | <b>7.9</b>  | -34.0% | 5.0   | 7.5   | <b>12.5</b>  | 58.2%   |
| Net Margin %             | <b>4.5%</b> | -2.2%  | 5.8%  | 8.2%  | <b>7.0%</b>  | 2.5%    |

- One offs includes charges for PPE impairments and onerous leases (£0.7m), business restructuring costs (£0.4m), property disposal gain (£1.6m),
- MTM includes net of £6.7m for partial cancellation of derivatives and subsequent reduction in MTM of £5.9m

# Financial Highlights

52 weeks ended 29 September 2012

**Topps Tiles**

- Distributable profit of £9.8m (2011 : £5.7m)
- Basic EPS of 5.14 pence (2011: 3.04 pence)
- Adjusted basic EPS of 5.11 pence (2011: 5.55 pence)
  - One off gain of £0.6m (2011: £4.4m), driven by property disposal
  - Derivative cancellation charge of £5.0m (2011: nil)
  - Fair value gain (MTM) on interest rate derivatives and FX of £4.4m (2011: £1.2m loss)
- Final dividend of 0.75 pence per share, 1.25 pence total
  - £1.4m to be paid January 2013

# Balance Sheet Highlights

29 September 2012

**Topps Tiles**

|                           | 2011 FY | 2012 HY | 2012 FY | YoY %  |
|---------------------------|---------|---------|---------|--------|
| Stock                     | 23.8    | 25.3    | 25.9    | 8.8%   |
| Stock Days                | 131     | 134     | 133     | 1.5%   |
| Net Assets/(Liabilities)  | (25.5)  | (22.8)  | (17.3)  | -32.2% |
| Cash                      | 9.1     | 18.7    | 14.4    | 58.2%  |
| Borrowings                | (60.0)  | (65.0)  | (60.0)  | 0.0%   |
| Net Cash/(Debt)           | (50.9)  | (46.3)  | (45.6)  | -10.4% |
| Adj EBITDA Interest Cover | 5.2x    | 5.5x    | 5.3x    |        |

- Stock increase driven by new warehouse and additional stores
- Net debt fallen by £5.4m yoy

# Cash Flow Highlights

52 weeks ended 29 September 2012



| Summary Cashflow                             | 2010/11 |               | 2011/12 |              | YoY   |             |
|--|---------|---------------|---------|--------------|-------|-------------|
|  | £m      | £m            | £m      | £m           | £m    | £m          |
| Cashflows from operating activities (EBITDA) | 22.3    |               | 20.6    |              | (1.7) |             |
| Change in working capital                    | (1.8)   |               | (0.9)   |              | 0.9   |             |
| Interest                                     | (4.2)   |               | (2.9)   |              | 1.3   |             |
| Tax  | (3.9)   |               | (2.2)   |              | 1.7   |             |
| <b>Operations</b>                            |         | <b>12.5</b>   |         | <b>14.7</b>  |       | <b>2.2</b>  |
| Capital Expenditure                          | (10.5)  |               | (6.5)   |              | 4.0   |             |
| Proceeds from disposals                      | 0.0     |               | 5.4     |              | 5.4   |             |
| <b>Investments</b>                           |         | <b>(10.5)</b> |         | <b>(1.1)</b> |       | <b>9.4</b>  |
| Dividends                                    | (2.8)   |               | (2.1)   |              | 0.7   |             |
| Movement in loans                            | (32.1)  |               | 0.0     |              | 32.1  |             |
| Derivative Cancellation                      | 0.0     |               | (6.7)   |              | (6.7) |             |
| Other  | 0.2     |               | 0.6     |              | 0.4   |             |
| <b>Financing</b>                             |         | <b>(34.7)</b> |         | <b>(8.2)</b> |       | <b>26.5</b> |
| <b>Net movement in cash</b>                  |         | <b>(32.8)</b> |         | <b>5.4</b>   |       | <b>38.1</b> |



# Outlook

- Current trading remains positive at +1.0% LFL
- Plans to finish FY13 with 330 stores
- New IT systems planned for H2 2013
- Continue to focus on our overriding goal of taking profitable market share





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