

5 April 2023

Topps Tiles Plc
First Half Trading Update

Topps Tiles Plc ("Topps Group", or the "Group"), the UK's leading tile specialist, announces a trading update for the 26-week period ended 1 April 2023.

Group

The Topps Group has developed and diversified over recent years and now operates across three distinct business areas: Topps Tiles is the clear market leader in the UK, serving trade customers and homeowners in the domestic market through an omni-channel model incorporating specialist product expertise and world-class customer service; our high-growth Online Pure Play businesses (Pro Tiler Tools and Tile Warehouse) are specifically focused on the digital space; and our Parkside brand focuses on B2B sales in the commercial market.

Having reported record years for revenue in both 2021 and 2022, the Group delivered a record period in the first half, with revenues of £130.5 million¹, £11.3 million or 9.5% higher than the prior year. Approximately £9.0m¹ of revenue growth related to the acquisition of Pro Tiler Tools and the launch of Tile Warehouse in 2022.

Omnichannel - Topps Tiles

Following a strong first quarter, Topps Tiles continued to deliver good sales growth in Q2, with like-for-like sales² being 3.5% higher year on year, from one fewer trading day in the quarter. Like-for-like sales over the first half were up 4.3%, and Topps Tiles delivered first half revenue of £115.8 million¹, a record for the business as a standalone brand. Sales per store in the first half were 30% higher than in the pre-pandemic period of FY19, including the benefit of transferring sales from closed stores as we successfully rationalised our store estate, as well as underlying sales growth.

Customer satisfaction scores improved further during the first half, against the world class levels reported last year, and the business increased its mix of sales to trade customers to 59% (H1 FY22: 58%). Trade customers are key as they provide high levels of repeat custom and an important link to homeowners, through recommendation and direct sales.

Whilst gross profit has been rising in recent years following strong sales growth, gross margin percentage has trended down as a result of cost inflation, the growing trade customer mix, product mix and strategic decisions to invest in our customer value proposition. In the first half, gross margins in Topps Tiles were lower year on year, however margins improved over the course of the period as we passed through cost price rises, and as supply chain pressures have started to moderate or reverse. As a result of these factors, we expect to see gross margins increase sequentially in the second half.

Online Pure Play - Pro Tiler Tools and Tile Warehouse

The growth of our Online Pure Play businesses, led by Pro Tiler Tools, has been very strong. In the first half of this year, Online Pure Play delivered revenues of £10.1 million¹ (H1 FY22: Group consolidated revenue of £1.1 million). Pro Tiler Tools continued its exceptional growth in the first half and Tile Warehouse delivered modest sales but is also an important source of future growth in the medium term.

Commercial - Parkside

Parkside's revenue in the first half was £4.6 million¹, down 9.3% year on year, reflecting project delays and lower business confidence as a result of the wider market sentiment. We are implementing various business improvement programmes, including a new CRM system which will support further growth in the business as the commercial market begins to recover from the pandemic period.

Summary

The Group's strong revenue performance in the first half reflects the strength of our brands, the execution of our strategy and encouraging domestic market conditions. Our continued growth gives us confidence that we will deliver our market share goal of '1 in 5 by 2025'³ ahead of schedule.

The business remains strongly cash generative, with the balance sheet, cash flows and profitability remaining in line with our expectations.

As announced in the 2022 full year results, we expect Group profitability in the current financial year to be weighted towards the second half. The expected weighting reflects: a significant year on year increase in our gas expense with the majority of the increase experienced in the first half due to higher energy usage over the winter; a normalised holiday pay accrual, with a debit in the first half of c £0.7 million and a credit in the second half of c. £0.7 million; growth of the newer businesses over the course of the year; and a further easing in cost of goods inflation as the year progresses, which has already been seen towards the end of the first half.

Rob Parker, CEO, said: "Our performance across the first half has been good, with a record period for Group revenues, supported by like-for-like sales growth in Topps Tiles of 4.3% and an excellent post-acquisition performance from Pro Tiler Tools.

"The economic outlook remains uncertain but early signs of easing supply chain pressures, allied to the Group's strong balance sheet, world class customer service, specialist expertise and growth strategy give us confidence in our ability to drive value for all stakeholders over the medium term."

¹ All revenue numbers are stated before accounting adjustments including revenue recognition and customer returns provisions which will be included in the Interim Results. Group revenue includes £10.1 million of sales from Pro Tiler Tools and Tile Warehouse in FY23 compared to £1.1 million of sales recognised in the Group's consolidated accounts for H1 FY22.

² Topps Tiles like-for-like sales is defined as online sales and sales from Topps Tiles stores that have been trading for more than 52 weeks.

³ Refers to Topps' goal of accounting for £1 in every £5 spent on tiles and associated products in the UK by 2025, thereby increasing its market share to 20% from approximately 17% in 2019. In the 52 weeks ended 1 October 2022 the Group's market share increased to 19.0% (2021: 17.6%)

For further information please contact:

Topps Tiles Plc

Rob Parker, CEO
Stephen Hopson, CFO

0116 282 8000

Citigate Dewe Rogerson

Kevin Smith
Ellen Wilton

020 7638 9571

Notes to Editors

Topps Tiles Plc is the UK's largest specialist supplier of tiles and associated products, targeting the UK domestic refurbishment and commercial markets and serving homeowners, trade customers, architects, designers and contractors from 304 nationwide Topps Tiles stores, three commercial showrooms and six websites: www.toppstiles.co.uk, www.parkside.co.uk, www.protilertools.co.uk, www.northantstools.co.uk, www.premiumtiletrim.co.uk and www.tilewarehouse.co.uk.

Since opening its first store in 1963, Topps has maintained a simple operating philosophy - inspiring customers with

unrivalled product choice and providing exceptional levels of customer service. For further information on the Group, please visit <http://www.toppstilesplc.com/>

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