

Headlam Group plc
('Headlam', the 'Company', the 'Group')
Scheduled Pre-Close Trading Update

Trading in line with revised expectations

Headlam (LSE: HEAD), the UK's leading floor coverings distributor, announces the following scheduled update in respect of trading in the six months to the end of June 2024 (the 'Period'), ahead of announcing half year results on 17th September.

Current Trading

Trading for the Period was in line with the Group's previous trading update on 14th May.

Revenue in the Period was down 11.8% year on year, with the UK down 11.3% and Continental Europe down 15.9%¹. This reflected the ongoing weakness in the floor coverings market throughout the first half of this year, driven by continued decline in consumer spending on home improvements. The Group will deliver an underlying loss before tax for the Period of approximately £16 million, consistent with the May trading update.

The strategic growth initiatives have continued to perform well, with revenue from Larger Customers and Trade Counters continuing to grow, with the latter now exceeding £100 million revenue on a rolling 12-month basis.

Cash and working capital continued to be well controlled. At the end of June, net debt was £28 million. During June the Group completed the sale of the surplus property in Stockport for £7.5 million, which was circa 10% higher than the most recent market valuation. The Group had more than £70 million of cash and undrawn facilities available at the end of the Period and owns property valued at £142.1 million². The Group has also recently agreed a new covenant package with its lending banks providing ongoing financial flexibility whilst the Group accelerates the implementation of its strategy.

Acceleration of strategy

In May we announced that the Group was accelerating its strategy to make Headlam a more effective organisation and to simplify our offer to customers, whilst also investing in the proposition across all of our customer groups in order to maintain and grow market presence.

The planning phase of this programme of initiatives is progressing well and in line with the timetable and we will provide a more detailed update in September, alongside the Group's half year results. These initiatives are expected to deliver simplification in customer engagement, enhancement to customer service, operational efficiencies, material profit improvement and significant one-off cash benefits from the disposal of surplus property and working capital reduction, the majority of which will be realised in 2025.

Outlook

We continue to expect an improvement in trading in the second half of the financial year assuming market conditions gradually improve, albeit we do not anticipate the market returning to growth until 2025. On this basis, we expect trading for the full year to be in line with current market expectations.

The Group will publish its half year results on 17th September 2024.

Commenting, Chris Payne, Chief Executive, said:

"While current market conditions remain challenging, we are pleased with the early progress we have made on accelerating our simplification and integration of the business together with the development of exciting improvements to our customer offer and service. We remain confident that our strategy, and the changes we are making, will strengthen Headlam over the medium term, ensuring that we are well placed to take the opportunity when the market recovers."

Footnotes

1. All year-on-year revenue percentages quoted in this update are on a reported basis and are not adjusted for

number of working days; in the UK there was one more working day in the Period than in 2023, in France there was one less and in the Netherlands the number of working days were the same

2. Based on the market valuation undertaken in January 2023

Enquiries

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Notes to Editors

Operating for over 30 years, Headlam is the UK's leading floorcoverings distributor. The Group works with suppliers across the globe manufacturing the broadest range of products, and gives them a highly effective route to market, selling their products into the large and diverse trade customer base. The Group has an extensive customer base spanning independent and multiple retailers, small and large contractors, and housebuilders. It provides its customers with a market-leading service through the largest product range, in-depth knowledge, ecommerce and marketing support, and nationwide next day delivery service. To maximise customer reach and sales opportunity, Headlam operates 68 businesses and trade brands across the UK and Continental Europe (France and the Netherlands), which are supported by the group's network, central resources and processes.

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