

21 July 2025

**Headlam Group plc**  
('Headlam', the 'Company', the 'Group')

**Continued implementation of the transformation plan with the sale and leaseback of the Tamworth distribution centre**

Headlam (LSE: HEAD), the UK's leading floorcoverings distributor, provides an update on its previously announced transformation plan, with the sale and leaseback of the Group's Tamworth distribution centre.

The sale proceeds of £21.75 million (excluding VAT<sup>1</sup>) represent a premium of 153% to the book value of £8.6 million and 43% to the last market valuation<sup>2</sup> of £15.2 million. The profit<sup>3</sup> generated from the sale of this property will be recognised as non-underlying income.

The Tamworth distribution centre remains a core part of the Group's distribution network and is integral to the Group's growth plans over the coming years. Accordingly, the Group has entered into a 10-year leaseback, with the opportunity to extend further. This sale and leaseback transaction further optimises the Group's mix of owned and leased distribution centres. The cost of the leaseback is equivalent to the Group's cost of debt, meaning that this transaction is broadly neutral to the Group's Underlying Profit Before Tax.

£21.1 million of the sales proceeds (excluding VAT) have been received in cash following simultaneous exchange and completion, with the remaining £0.7 million retained by the buyer pending the Group's completion of pre-agreed repairs and maintenance on the property. The sales proceeds will initially be used to reduce the Group's drawdown on its revolving credit facility, providing further liquidity headroom whilst the Group implements its transformation plan.

This sale constitutes a significant transaction under the Listing Rules; accordingly, further details are contained in the appendix to this announcement.

The Group intends to provide a scheduled pre-close trading update tomorrow.

**Footnotes**

1. VAT of £4.35m has been collected on this sale and will be paid over to HM Revenue & Customs
2. As at the market valuation undertaken in January 2023
3. The calculation of the profit on sale is subject to IFRS 16 accounting requirements regarding sale and leasebacks and will be finalised ahead of the Group reporting its results for the year ended 31 December 2025

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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 businesses, trade brands and product brands across the UK and Continental Europe (France and the Netherlands), which are supported by the group's network, central resources and processes.

## **IMPORTANT NOTICE**

The information contained within this announcement is deemed by the company to constitute inside information as stipulated under the Market Abuse Regulation (EU) no. 596/2014 as it forms part of UK domestic law pursuant to the European Union (withdrawal) act 2018, as amended. Upon the publication of this announcement via a regulatory information service, this information is considered to be in the public domain.

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## **Appendix**

The sale of the Tamworth property to HEPP Mid Box Limited for £21.75 million constitutes a significant transaction under the Listing Rules. This Appendix, together with the main body of the announcement, sets out the further information that is required to be disclosed.

### **1. Material Contracts**

#### *Sale Agreement*

- On 18<sup>th</sup> July 2025, the Group entered into a sale and purchase agreement with HEPP Mid Box Limited to sell the Tamworth distribution centre in consideration for £21.75 million plus VAT.
- The sale and purchase agreement was subject to standard commercial property terms. Completion occurred on 18<sup>th</sup> July 2025 ("Completion").
- The exchange and completion of the properties pursuant to the terms of the sale and purchase agreement took place simultaneously and as such, there are no conditions outstanding.
- £0.7 million of the sales proceeds have been retained by the buyer and will be released to the Group upon the Group undertaking pre-agreed repairs and maintenance on the property within 36 months of Completion.
- The Company has received the consideration of £21.75 million plus £4.35million VAT less £0.7 million retention in cash. Other than the £0.7 million retention there are no amounts outstanding. The VAT will be paid to HMRC as part of the next quarterly VAT payment.
- The retention will be paid to the Company in cash upon completion of a pre-agreed schedule of repair and maintenance works. The Company has 36 months from Completion to undertake these works.

#### *Leaseback Overview*

- The Group has entered into a lease agreement with the new landlord of the property, on the following terms:
  - Term: from Completion for 10 years.
  - No break clause.
  - Customary provisions dealing with removing the Group's fixtures and fittings and making good any applicable dilapidations on expiry of the lease.
  - The lease is within the Landlord and Tenant Act 1954, providing the Group with certain protections, including the ability to enter into a new lease upon expiry of the current lease.
  - The lease rental is at market rates. The annual leaseback cost is £1.5 million.

### **2. Risks**

*Headlam shareholders should carefully consider, together with all other information contained in this announcement, the specific factors and risks described below. The Company considers these to be the known material risk factors relating to the transaction. There may be other risks of which the Board is not aware or which it believes to be immaterial which may be connected to the transaction and have a material and adverse effect on the business, financial condition, results of operations or future prospects of the Group.*

*The risks disclosed below are those which the Company considers: (i) are material risks related to the transaction; (ii) will be material new risks to the Group as a result of the transaction; or (iii) are existing material risks for the Group which will be impacted by the transaction. The risks described below are not set out in any order of priority, assumed or otherwise.*

- The Group may incur liability under the sale contract and leaseback.
  - The sale contract is based on standard commercial property contract terms and also includes customary provisions. Both the Group and HEPP Mid Box Limited carried out a customary due diligence and disclosure process to minimise the liability under these provisions.
  - The leases are based on customary provisions and dealing with removing the Group's fixtures and fittings and making good any applicable dilapidations on expiry of the lease.
- The market price of shares in the Group may fluctuate on the basis of market sentiment surrounding the transaction:
  - The shares in the Group are quoted and the price which investors may realise their shares are influenced by a number of factors, some specific to the Group and its operations and some which may affect flooring distributors or publicly traded companies as a whole, or other comparable companies.
  - The sentiments of the stock market regarding the transaction will be one such factor and this, together with other factors including actual or anticipated fluctuations in the financial performance of the Group and its competitors, market fluctuations, and legislative or regulatory changes for the flooring sector, could lead to the market price of the Group's shares going up or down.

### **3. Impact of the transaction on the Company's earnings, assets and liabilities**

- Upon completion, the Group has de-recognised the £8.6 million book value of the property from its balance sheet and recognised the receipt of £21.75 million (excluding VAT) less £0.7 million retention in cash, plus a further £4.35 million of cash collected in respect of VAT to be paid over to HM Revenue & Customs in the next quarterly VAT payment. Upon Completion the Group has used the cash proceeds to reduce the drawdown on its revolving credit facility.
- A profit on disposal of the properties will be recognised. The amount of profit on disposal is subject to the accounting requirements of IFRS16 with regard to sale and leaseback transactions and will be calculated prior to finalising, and subsequently disclosed within, the Group's results for the year ended 31<sup>st</sup> December 2025.
- The profit on disposal will be classified as a non-underlying item in the Group's income statement due to its material size and one-off nature.
- A right-of-use asset and lease liability will be recognised on the Group's balance sheet in respect of the properties being leased back. These amounts will be calculated prior to finalising, and subsequently disclosed within, the Group's results for the year ended 31<sup>st</sup> December 2025.

### **4.3 Use of proceeds**

- The proceeds will initially be used to reduce the Group's drawdown on its revolving credit facility. Over the next 12 months or so the Group will invest a proportion of the proceeds in the implementation of the Group's transformation plan, including in initiatives for growth such as the rollout of display stands and other point-of-sale materials. This transformation plan was announced on 17<sup>th</sup> September 2024, including details of the cost of implementation.

### **4. Additional disclosures**

- The Board of the Company unanimously voted in favour of the transaction and in its opinion the transaction is in the best interests of the Company's shareholders as a whole, as well as its colleagues, suppliers and customers. This assessment is on the basis of the transaction further strengthening the Group's financial position.
- There are no related party transactions or material litigation to disclose.
- The information required by UKLR Annex 2.2(2) and 2.2(3) is not available, and as referenced in the main body of this announcement the value of the consideration for the transaction represents a premium of 153% to the book value of £8.6 million and 43% to the Company's last market valuation of £15.2 million. A profit on sale will be generated, which will be recognised as non-underlying income. As such, the Board considers the consideration for the property is fair as far as the shareholders of the Group are concerned.

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