

2 September 2021



**EUROPE'S LEADING
FLOORCOVERINGS
DISTRIBUTOR**

PRESENTATION TEAM AND AGENDA

Steve Wilson
Chief Executive

Chris Payne
Chief Financial Officer

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HEADLAM OVERVIEW AND COVID-19

Key competitive advantages:

- Market leader (+6x nearest peer)
- Scale and national coverage
- Broadest product range
- Financial strength
- Nationwide delivery, and collection service
- Great people, with huge loyalty and industry experts

Strong recovery from initial impact of COVID-19:

- H1 21 performance remarkably unaffected by COVID-19
- Strong return to H1 19 levels after extensive 2020 closures
- Confirms resilience of business model and customer base
- FY 21 market expectations significantly upgraded in July 21
- Expediting resumption of normalised dividend payments
- Operational Improvement Programme (OIP) delivering

Years operating

29

Businesses

66

Customer accounts

24,830

Supplier accounts

184

Distribution hubs and centres

21

Trade counters (UK)

54

Commercial fleet (HGV)

363

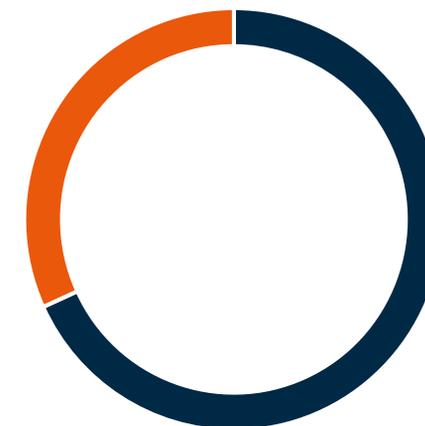
H1 21 FINANCIAL PERFORMANCE



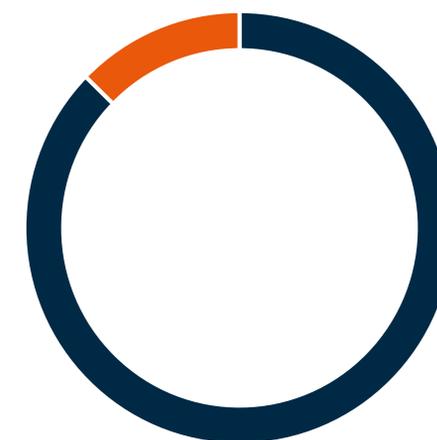
H1 21 FINANCIAL OVERVIEW

- Total revenue of £329.9m, in-line with H1 19, and +45.2% H1 20 (continuing operations only following disposal of Swiss business Belcolor)
- Residential sector showed strength throughout (+4.7% H1 19), with weak commercial sector (-12.8% H1 19)
- Gross margin at 32.7% (H1 20: 32.3%; H1 19: 32.4%) due to increased proportion of residential sector revenue and Q2 21 inflationary environment
- Underlying distribution costs and admin expenses in-line with H1 19 at £90.5m, with cost benefits from OIP and restructuring activities able to offset inflationary and other additional costs
- Underlying PBT of £16.7m (H1 20: £1.8m loss; H1 19: £16.8m profit)
- Average net funds (excl IFRS 16 leases) of £30.5m, a strong reversal of the 2020 average net debt positions (H1 20: £35.3m; FY 20: £8.6m)
- Resumption of normalised dividend payments expedited, 'full' 5.8p interim ordinary dividend declared

H1 21 Revenue

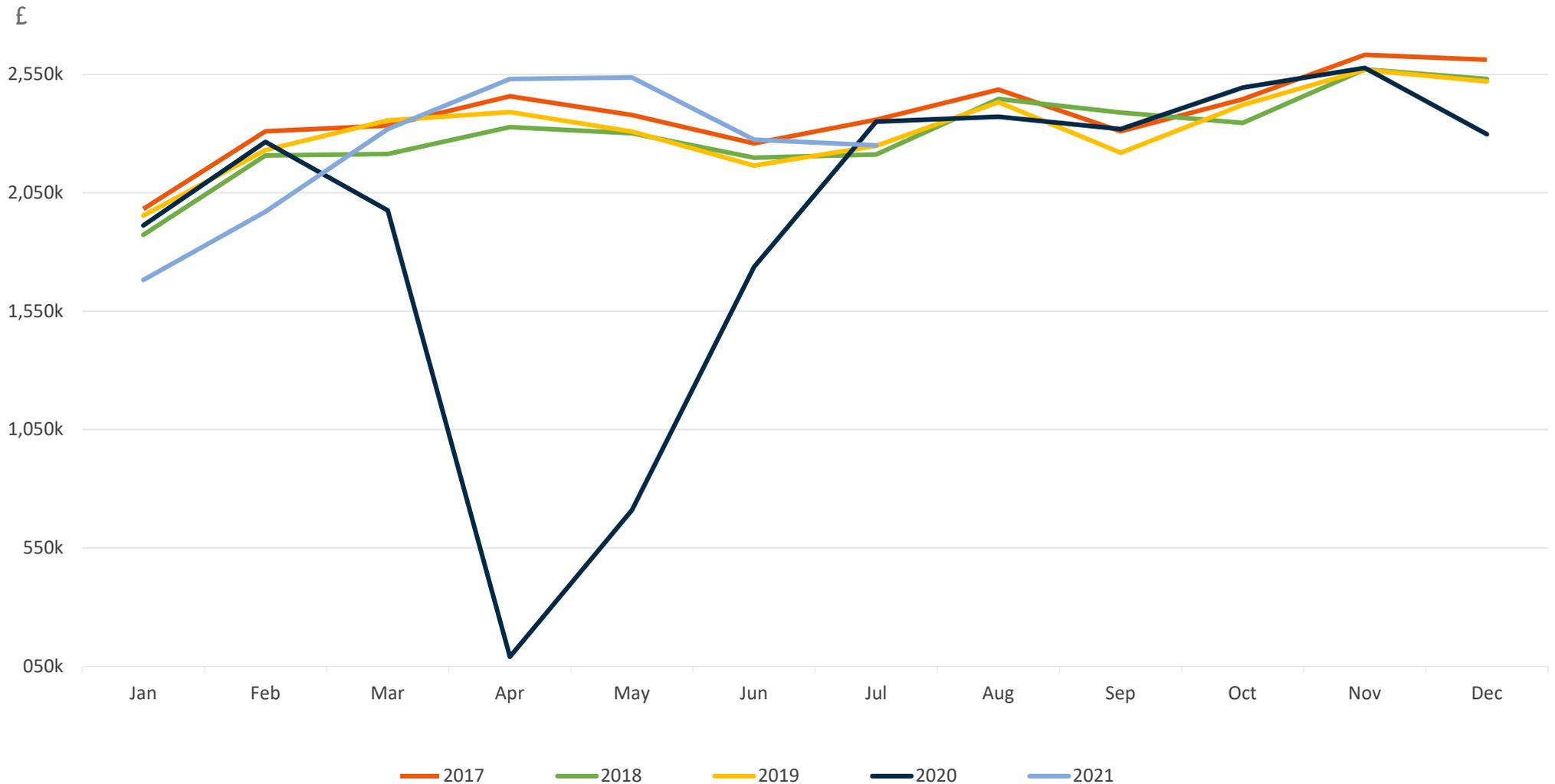


Residential sector	68.5%
Commercial sector	31.5%



UK	87.3%
Continental Europe	12.7%

UK DISTRIBUTION DAILY SALES*



H1 21 INCOME STATEMENT

Income Statement	H1 2021		H1 2020 re-presented		H1 2019 re-presented	
Continuing Operations	£M	%	£M	%	£M	%
Revenue	329.9	100.0%	227.2	100.0%	335.0	100.0%
Cost of sales	(222.0)	(67.3)%	(153.8)	(67.7)%	(226.6)	(67.6)%
Gross profit	107.9	32.7%	73.4	32.3%	108.4	32.4%
Distribution costs	(61.8)	(18.7)%	(52.7)	(23.2)%	(64.7)	(19.4)%
Administrative expenses	(28.7)	(8.7)%	(21.8)	(9.6)%	(25.8)	(7.7)%
Operating profit	17.4	5.3%	(1.1)	(0.5)%	17.9	5.3%
Net Finance costs	(0.7)	(0.2)%	(0.7)	(0.3)%	(1.1)	(0.3)%
Underlying profit before tax	16.7	5.1%	(1.8)	(0.8)%	16.8	5.0%
Non-underlying items	(2.7)	(0.8)%	(22.7)	(10.0)%	(1.0)	(0.3)%
Statutory profit / (loss) before tax	14.0	4.2%	(24.5)	(10.8)%	15.8	4.7%
Basic earnings / (loss) per share	11.6p		(29.8)p		15.5p	
Interim dividend	5.80p		-		7.55p	

- Underlying operating margin of 5.3% (H1 19: 5.3%), in part reflecting ability to keep distribution costs and admin expenses flat
- £2.7m of non-underlying items:
 - £3.6m costs (£2.1m non-cash) offset by £0.9m profit (freehold property disposal under OIP)

REVENUE AND PROFIT BRIDGES

Revenue	H1 2019		H1 2021	
	£M	%	£M	%
H1 2019 revenue:				
UK	294.5	84.5		
Continental Europe	54.2	15.5		
			348.7	100.0
UK incremental items:				
Like-for-like	(10.8)	(3.7)		
Change in working days	-	-		
Acquisitions	4.2	1.4		
			(6.6)	(2.2)
Continental Europe incremental items:				
Like-for-like	1.8	3.4		
Change in working days	-	-		
Disposals	(13.7)	(25.3)		
Translation effect	(0.3)	(0.6)		
			(12.2)	(22.4)
Total movement			(18.8)	(5.4)
H1 2021 revenue:				
UK	287.9	87.3		
Continental Europe	42.0	12.7		
			329.9	100.0

Operating Profit	H1 2019		H1 2021	
	£M	Non-underlying £M	£M	Total £M
Continuing Operations				
H1 2019 operating profit	17.9	(1.0)		16.9
Gross margin changes:				
Volume	(3.0)	-		(3.0)
Mix	0.4	-		0.4
Pricing	0.8	-		0.8
Acquisitions	1.3	-		1.3
	(0.5)	-		(0.5)
Expense changes:				
Operational Improvement Plan	1.5	(1.5)		-
Wage inflation	(0.7)	-		(0.7)
Performance-related bonus costs	(1.1)	-		(1.1)
Acquisitions	0.7	-		0.7
Other	(0.4)	(0.2)		(0.6)
	-	(1.7)		(1.7)
H1 2021 operating profit	17.4	(2.7)		14.7

- Belcolor disposed of in May 2021 (total £12.0m cash)
- Commercial sector curtailing overall revenue performance to H1 19 levels
- OIP and restructuring activities cost benefits offsetting wage inflation and accrual of performance-related employee bonus payments due to current FY 21 outperformance

H1 21 CASH FLOW MOVEMENT

Cash Flow	H1 2021 £M	H1 2020 £M	H1 2019 £M
EBITDA	31.0	9.5	28.1
Change in inventories	(11.5)	14.5	(9.7)
Change in receivables	(12.0)	36.2	(6.9)
Change in payables	9.5	(76.7)	11.8
Share-based payments and profit on sale of PPE	(9.2)	0.1	0.8
Cash generated from operations	7.8	(16.4)	24.1
Interest and tax	(3.4)	(7.0)	(6.4)
Property disposals	14.1	-	-
Capital investment	(3.4)	(10.1)	(7.8)
Movement on borrowings	(0.1)	45.8	19.9
Lease payments	(7.5)	(8.5)	(8.0)
Dividends	(1.7)	(6.3)	(6.3)
Disposals (net of cash disposed)	(3.4)	-	-
Other	(0.2)	(1.2)	0.1
Net cash flow	2.2	(3.7)	15.6

- Modest investment in working capital following recovery in trading, and increased by £12.1m deferred VAT payment
- Operating cash generated increased by £14.1m from property disposals (Belcolor £12.0m plus freehold property)
- Annual capital investment to increase due to focus on investing in modernising and improving estate and systems to optimise performance, plus trade counter roll-out

BALANCE SHEET

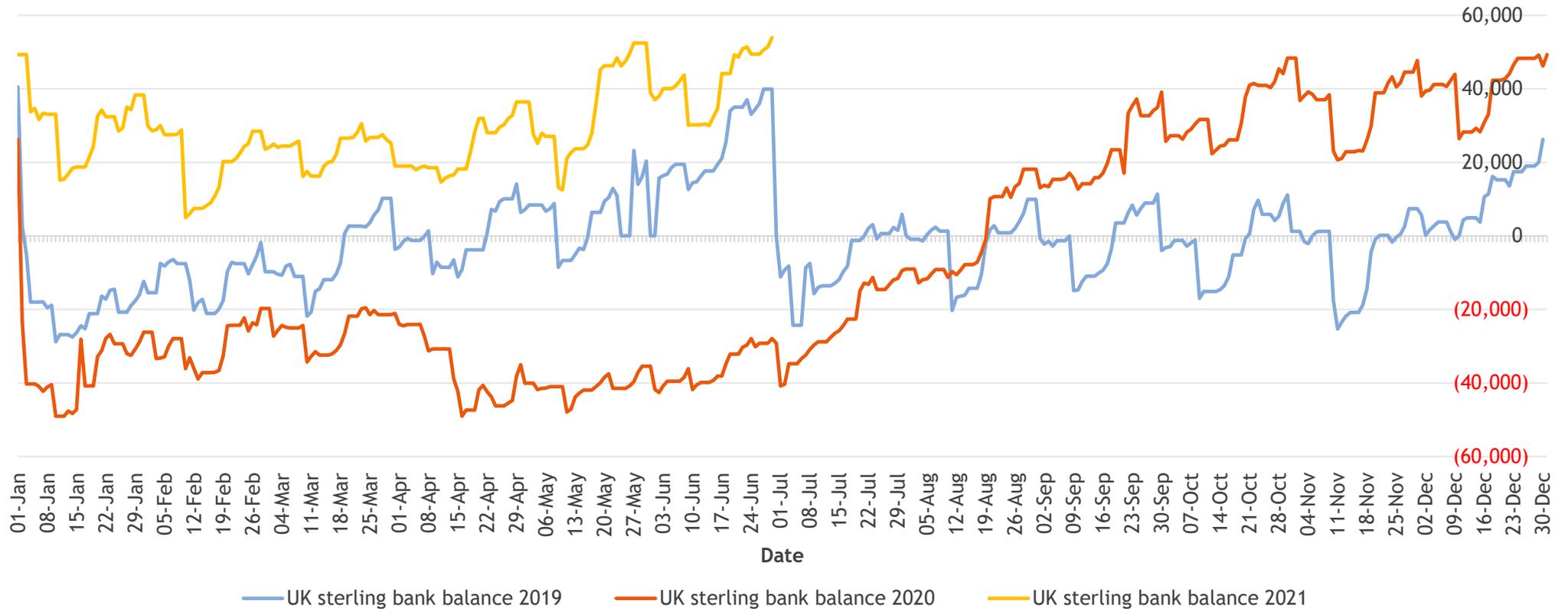
AS AT 30 JUNE 21

Balance Sheet	June 2021	June 2020
	£M	£M
Property, plant and equipment	115.9	120.5
Intangibles	19.0	27.5
Inventories	120.6	119.7
Trade and other receivables	109.6	89.1
Cash	62.7	30.7
Trade and other payables	(176.9)	(102.5)
Borrowings	(8.8)	(53.1)
Other assets and liabilities	(16.0)	(16.3)
Net Assets	226.1	215.6
Share capital and premium	57.8	57.8
Other reserves	(2.0)	3.7
Retained earnings	170.3	154.1
Total equity	226.1	215.6

- Despite industry-wide supply issues, able to maintain inventory position
- Net funds at period-end (excl IFRS 16 leases) of £53.9m (June 20: £22.4m net debt; Dec 20: £51.6m net funds)
- Total banking facilities available at period-end of £106.6m, with headroom of £97.8m

UK STERLING NET FUNDS

DAILY BALANCES



H1 21 OPERATIONAL PERFORMANCE



H1 21 OPERATIONAL PERFORMANCE

KEY FEATURES

- Adjusted working practices to operate effectively throughout despite lockdowns
- Customer base resilient and managing to trade successfully throughout despite UK non-essential retail being closed Jan to April 21
- Industry-wide issues of HGV driver shortages and product supply
- Price increases across product categories ranging from 3% to 14% passed directly through into the marketplace
- Ongoing focus on improving performance through comprehensive programme of projects under OIP



OPERATIONAL IMPROVEMENT PROGRAMME DESIGNED TO

- Improve the service propositions for each customer segment
- Capture a larger share of the overall £3 billion UK market*
- Increase operational efficiencies and remove complexity within the group
- Modernise process and systems, additionally improving the working environment
- Deliver significant cost savings

£3bn UK market*: 7 customer segments



Good weighting



Significantly underweight

OPERATIONAL IMPROVEMENT PROGRAMME

KEY ACCOMPLISHMENTS IN H1 21

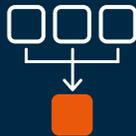
Multiple projects being delivered:



Transport
Integration



Project
implemented over
70% of national
coverage



Network
Consolidation



Consolidation of
6 businesses in
Ipswich centre
completed



Trade Counters



Business plan to
grow from 54 to
90 new and
improved sites



Ecommerce/
Digitalisation



Web-sales rising
to 17%, and
launch of new
app in Sept 21



Sales Force
Effectiveness



Reorganisation of
sales team, focus
on new revenue
generation



Customer
Propositions
/ Multiple
Retailers



Dedicated team
recruited, new
customer wins
with limited SKUs



Other incl.
Stockholding,
Supplier
engagement



Inventory
maintained
despite industry
supply issues

On-track to achieve ambition of 7.5% UK operating margin
run-rate during 2023

CORPORATE GOVERNANCE



DIVIDENDS AND CAPITAL ALLOCATION

Capital Allocation Priorities (in order):

- ✓ Maintain strong balance sheet
- ✓ Investment in core distribution business
- ✓ Ordinary dividend payments
 - Consideration of acquisition opportunities
 - Return any surplus cash



- Paid out of cash
- Total annual payout equivalent to 2x earnings cover ratio for FY (statutory)
- Higher weighting to final dividend, reflecting normal H2 trading weighting
- 'Full' interim dividend declared reflecting H1 21 trading performance and confidence in prospects
- 5.8p per share to be paid November 21

BOARD APPOINTMENTS

Simon King

Independent Non-Executive Director

- Appointed May 21
- Former CEO of Wickes, and NED of SIG plc (LSE: SHI) since 2020
- Direct relevant skills and experience through leading one of the UK's leading home improvement retailers

Stephen Bird

Independent Non-Executive Director

- Appointed Sept 21
- Group Chief Executive of Vitec Group (LSE: VTC)
- Extensive executive experience developing successful, customer-led growth strategies

- Expands the Board, and skill set, increasing oversight of strategic and corporate objectives:
 - Effective implementation of OIP
 - ESG strategy and actions
 - Internal controls, including risk management
 - Capital Allocation

CURRENT TRADING AND SUMMARY

- July & Aug 21 - subdued commercial sector, although with regional variations, and residential sector pleasing
- Continuing to trade in-line with market expectations which were significantly upgraded in July 21
- Positive on prospects despite industry-wide headwinds, and on-track with successful delivery of OIP
- Resumption of 'full' dividend

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