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FINAL RESULTS PRESENTATION

For the year ended 31 December 2018

March 2019

EUROPE'S LEADING FLOORCOVERINGS DISTRIBUTOR

COMPANY OVERVIEW

Europe's leading distributor of floorcoverings:

- Distribution channel between suppliers and trade customers of floorcoverings
- Working in partnership with suppliers and trade customers
- Linking together a global manufacturing supply base and the most extensive customer base across the UK and Continental Europe
- 26 years of industry expertise and knowledge
- Grown significantly since 1992 via organic growth and acquisition to comprise 67 businesses (UK: 63, Continental Europe*: 4)

*Continental Europe: France (1), Switzerland (1) and the Netherlands (2)

COMPANY OVERVIEW (CONTINUED)

Suppliers:

- Global manufacturing supply base (199 suppliers, 22 countries)
- Multiple product categories (+30,000 product units offered to UK customers)
- Unparalleled route to market for their products
- Allows focus on their core activities without having to replicate costly distribution channel

Customers:

- Most extensive customer base across the UK and Continental Europe (+71,000 active customer accounts)
- Residential and commercial sectors (principally independent retailers and flooring contractors)
- Broadest product offering, covering all principal product categories
- Comprehensive customer service and support, and next day delivery

BUSINESS MODEL

UK FLOORCOVERINGS MARKET VALUED AT £2.05 BILLION IN 2018*

Extensive network and dense geographical footprint:

- 67 businesses each operate under own unique trade brand and utilise individual sales team to maximise customer penetration
- Multiple businesses and touch-points
- Each business supported by and benefits from significant centralised and financial resources
- 4 national distribution hubs, 19 regional distribution centres, 64 trade counters, showrooms and specification centres

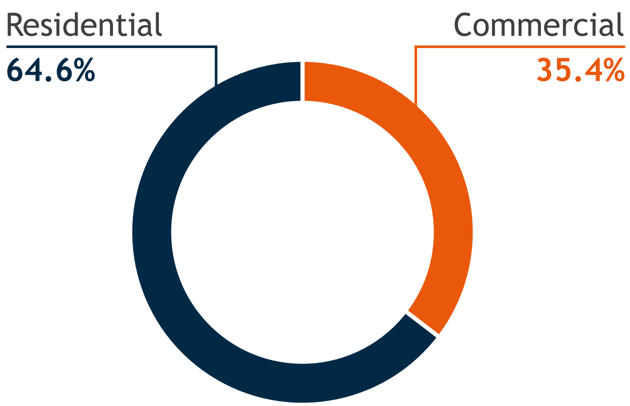
Distribution business:

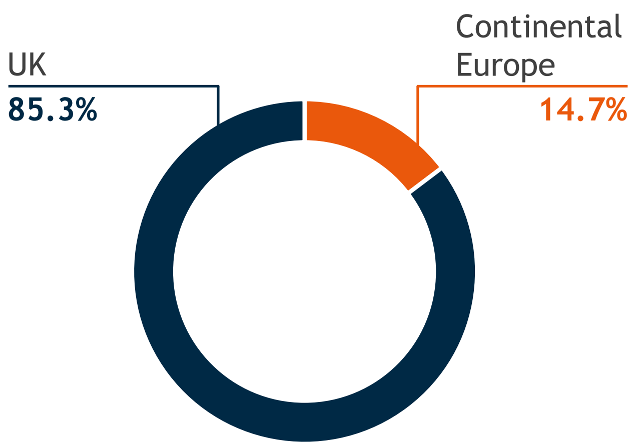
- Relationship-driven and regionalised marketplace
- High volume of small value orders into both residential and commercial sectors
- Core product range largely within low to middle-end in terms of price points
- +5.3 million orders processed in 2018, average order value £133

Expanded position within the industry:

- Increased weighting in other market segments, with expansion of the customer base
- Specification-focused business area typically has higher margins, pipelines of project opportunities, and long-term order books

Revenue





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*Source: AMA Research, December 2018 (estimate), and expressed by reference to manufacturer's selling price

STRATEGY

Develop and Broaden:

- Continue developing the market-leading distribution business
- Broaden position within the overall industry to expand revenue streams and customer base
- Grow in identified product categories and market segments, with focus on higher-margins

Network Utilisation:

- Improve performance through better utilisation of the network and collaboration amongst the group
- Review existing network configuration to remove inefficiencies, improve capacity and customer service
- Leverage the network

Performance:

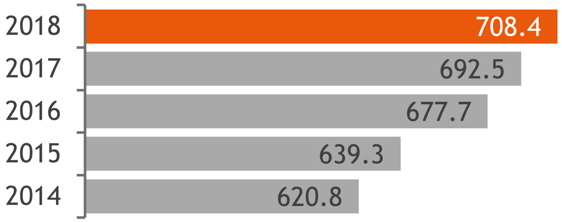
- Pursue multiple efficiency initiatives to improve operational and financial performance
- Update existing operational processes and business practices
- Build the business reflecting market and industry evolution

FINANCIAL TRACK RECORD (5 YEARS)

Revenue* £million

£708.4m

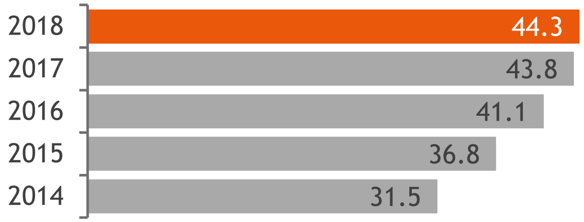
+2.3% (2017: £692.5m)



Underlying Operating Profit** £million

£44.3m

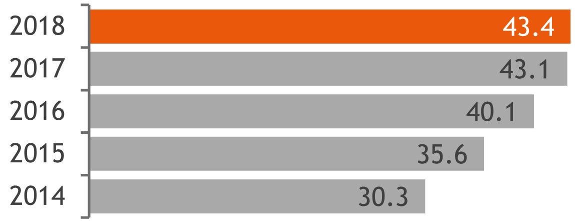
+1.1% (2017: £43.8m)



Underlying Profit before Tax** £million

£43.4m

+0.6% (2017: £43.1m)

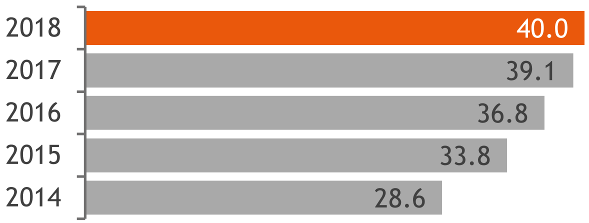


2018 Statutory Profit before Tax: £40.4m (2017: £40.7m)

Basic Earnings Per Share pence

40.0p

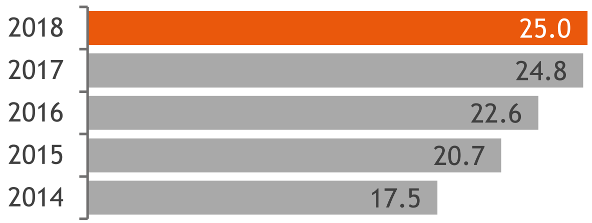
+2.3% (2017: 39.1p)



Total Ordinary Dividends (declared and proposed in respect of 2018) pence

25.0p

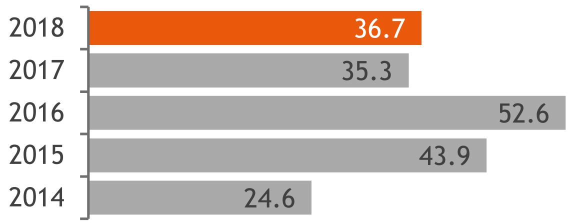
+0.8% (2017: 24.8p)



Net Cash Position £million

£36.7m

+4.0% (2017: £35.3m)



*All prior year revenue numbers, like-for-like revenue and gross margin numbers are restated to present comparatives on a consistent basis with 2018. This follows the reclassification in 2018 of some items between revenue, cost of sales and operating expenses to better reflect their nature

**Underlying is before non-underlying items which includes intangibles amortisation relating to businesses acquired, acquisition fees, contingent consideration movements, non-recurring pension costs in relation to guaranteed minimum pension ('GMP') equalisation and non-recurring costs relating to senior personnel changes

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2018 FINANCIAL HIGHLIGHTS

- Total revenue +2.3% to £708.4 million (2017: £692.5 million) despite the generally softer trading backdrop evident throughout the year
- Like-for-like* revenue declined in both the UK and Continental Europe (4.2% and 1.8% respectively) with the softer market being more keenly felt in the UK
- Gross margin +80 basis points to an historic high of 32.3% (2017: 31.5%) due to an increased contribution from the higher-margin specification business area, as well as the benefits from early settlement discount on trade creditors and ongoing pricing discipline
- Underlying profit before tax +£0.3 million to £43.4 million (2017: £43.1 million)
- Statutory profit before tax of £40.4 million marginally down on prior year (2017: £40.7 million)
- Basic earnings per share +2.3% to 40.0 pence (2017: 39.1 pence)
- Cash generated from operations remained strong, 121% of operating profit (2017: 132%)
- Net cash position +4.0% to £36.7 million (2017: £35.3 million), and included acquisition spend of £9.1 million
- Total ordinary dividend in respect of 2018 increased slightly to 25.0 pence (2017: 24.8 pence)

*Like-for-like revenue is calculated based on constant currency from activities and businesses that made a full contribution in both the 2018 and 2017 periods and is adjusted for any variances in working days

2018 OPERATIONAL HIGHLIGHTS

Efficiency initiatives

- 10 efficiency initiatives focused on improving operational practices and financial performance
- Some earlier-stage ones beginning to contribute in 2018:
  - Group procurement approach to GNFR
  - Extension of vehicle leasing contracts
  - Inventory management, creating surplus warehouse capacity of c 10% at Coleshill (distribution hub)

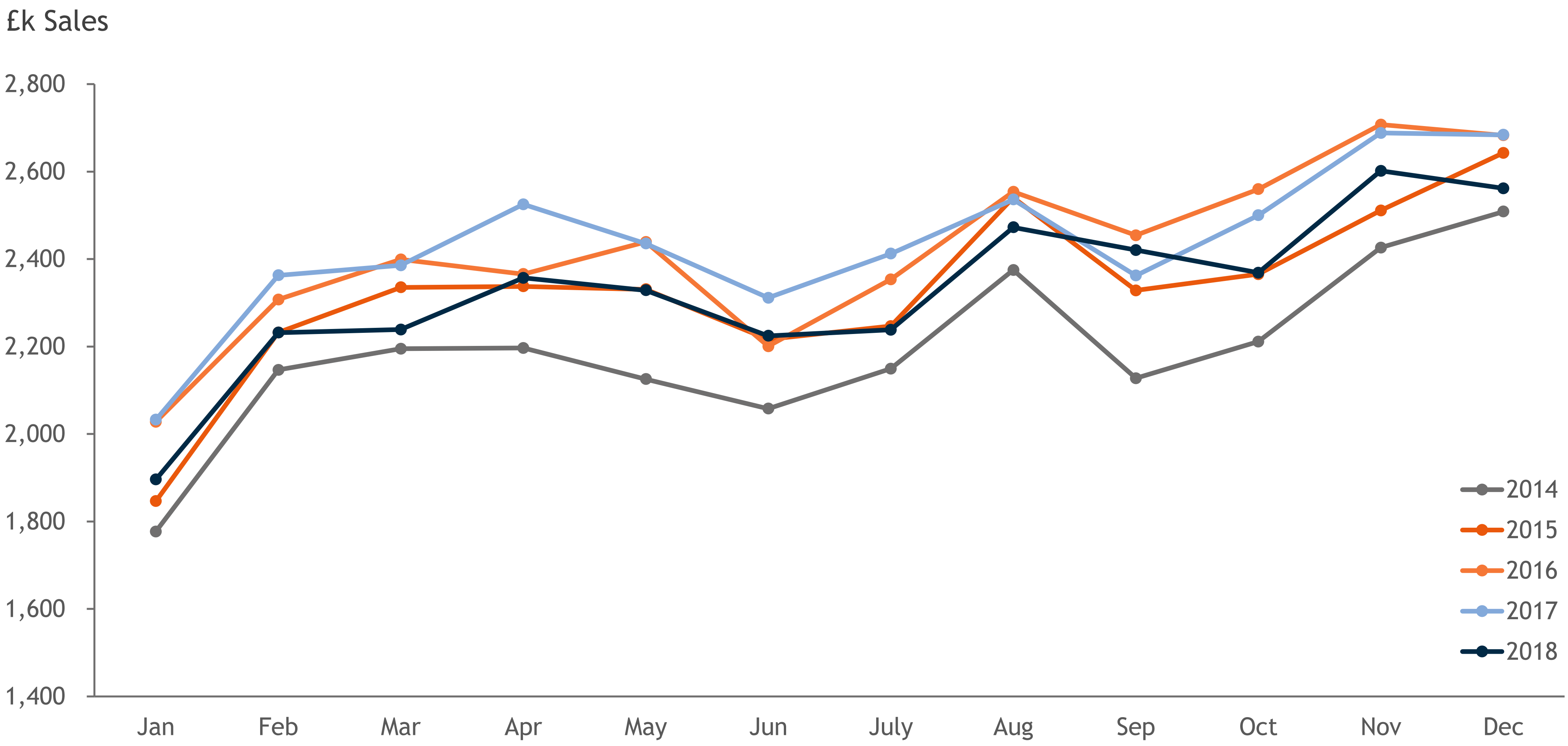
Broadening of operations and expansion of network

- 5 smaller strategic acquisitions completed, further enhancing and broadening the Company's industry and geographical position
- Planning approval received for new Ipswich regional distribution centre:
  - Land acquired in February 2019 for £4.0 million

People

- Board supplemented with a wealth of experience, and several operational appointments bringing significant additional expertise into the business:
  - Non-Executive Directors: Amanda Aldridge, Keith Edelman and Alison Littley
  - UK Operations Director, and General Managers

2018 UK
DAILY SALES*



*Calculated on a like-for-like revenue basis, being based on activities and businesses that made a full contribution in all the periods and adjusted for any variances in working days

2018 INCOME STATEMENT

	2018 £000		2017 £000		Variance 2018 V 2017
Revenue	**708,423**	**100.0%**	692,540	100.0%	2.3%
Cost of sales	**(479,349)**	**67.7%**	(474,436)	68.5%	1.1%
Gross Profit	**229,074**	**32.3%**	218,104	31.5%	4.8%
Distribution costs	**(134,316)**	**(19%)**	(127,145)	(18.4%)	5.3%
Administrative expenses	**(50,485)**	**(7.1%)**	(47,176)	(6.8%)	6.5%
Operating profit	**44,273**	**6.2%**	43,783	6.3%	1.1%
Net finance costs	**(884)**	**(0.1%)**	(665)	(0.1%)	24.7%
Underlying profit before tax	**43,389**	**6.1%**	43,118	6.2%	0.6%
Non-underlying items	**(2,942)**	**(0.4%)**	(2,399)	(0.3%)	18.5%
Statutory profit before tax	**40,447**	**5.7%**	40,719	5.9%	-0.7%
Basic earnings per share - pence	**40.0p**		39.1p		1.9%
Interim dividend - pence	**7.55p**		7.55p		
Proposed final dividend - pence	**17.45p**		17.25p		
Total dividend in respect of 2018 - pence	**25.0p**		24.8p		

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2018 NON-UNDERLYING ITEMS

	2018 £000	2017 £000
Non-recurring people costs	836	677
GMP equalisation	1,214	-
Release of contingent consideration	(1,384)	-
Amortisation of acquired intangibles	1,763	931
Acquisitions related fees	513	791
	2,942	2,399

2018 REVENUE MOVEMENT

		£000 UK	£000 Europe	£000 Total
Revenue for the year ended 31 December 2017 (restated)		593,476	99,064	692,540
	Split	*85.7%*	*14.3%*	
Incremental items during the 12-month period to 31 December 2018:				
Like for like organic decline		(24,651)	(1,791)	(26,442)
	LFL	*-4.2%*	*-1.8%*	*-3.8%*
Acquisitions		33,050	6,648	39,698
Working day and translation effect		2,275	352	2,627
Revenue for the year ended 31 December 2018		604,150	104,273	708,423
	Split	*85.3%*	*14.7%*	

EFFICIENCY INITIATIVES AND MARGIN IMPROVEMENT

10 EFFICIENCY INITIATIVES* AIMED AT IMPROVING MARGIN:

- Most at an early-stage of implementation
- Streamlining of processes and pricing discipline implemented since late 2016
- Gross margin +130 basis points since 2016 to a historic high in 2018
- Focus on improving operating margin

INITIATIVES ONGOING AND COMMENCED INCLUDE:

- Streamlining of processes and pricing discipline - maintain improvement
- Margin - margin-enhancing acquisitions and focus on higher-margin and exclusive products, and certain market segments *(i.e. Specification)*
- Inventory management trial – meaningful reduction in stock-outs plus creation of c 10% surplus warehouse capacity at Coleshill *(Brexit – partial mitigation)*
- More effective utilisation of delivery fleet - trialling dynamic route planning and consolidation of geographic specific deliveries
- Deliveries trial underway in South Wales – beginning to see benefits through a reduction in cost to serve and improved customer service levels
- Group procurement approach to goods and services not for resale (GNFR) – initial success in reducing expenditure
- Extension of commercial vehicle and car leasing contracts

Will deliver accumulated cost saving of +£1m per annum once fully deployed

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*A full list of Efficiency Initiatives and their descriptions is included in the Appendices

2018 MOVEMENT IN NET EXPENSES

	Total expenses £000		Distribution £000		Administration £000	
Expenses for 2017	176,720		127,145	71.9%	49,575	28.1%
Significant movements in 2018:						
People cost	(3,170)	(29.0)%	(339)	(4.8)%	(2,831)	(74.3)%
Vehicle expenses	244	2.2%	238	3.4%	6	0.1%
Carriage and packaging costs	(205)	(1.9)%	(205)	(2.8)%	-	-
Sampling investment	(387)	(3.5)%	(387)	(5.5)%	-	-
Legal and professional fees	(543)	(5.0)%	-	-	(543)	(14.3)%
Effect of acquisitions	13,765	126.1%	7,795	109.7%	5,970	156.6%
Other	669	6.1%	2	0.0%	667	17.6%
Underlying sub total	10,373	95.0%	7,104	100.0%	3,269	85.7%
Non-underlying	543	5.0%	-	-	543	14.3%
Total before currency translation	10,916	100.0%	7,104	100.0%	3,812	100.0%
Currency translation	107		67		40	
Expenses for 2018	187,743		134,316	71.5%	53,427	28.5%

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2018 UNDERLYING OPERATING PROFIT MOVEMENT

	£000
Underlying operating profit 2017	43,783
Gross margin improvement	
Volume benefit	(7,570)
Pricing benefit	954
Anticipated trade creditor settlement discount	1,049
Effect of acquisitions	16,537
	10,970
Expense movement	
Distribution	624
Administration	2,661
Effect of acquisitions	(13,765)
Total increase	(10,480)
Underlying operating profit 2018	**44,273**

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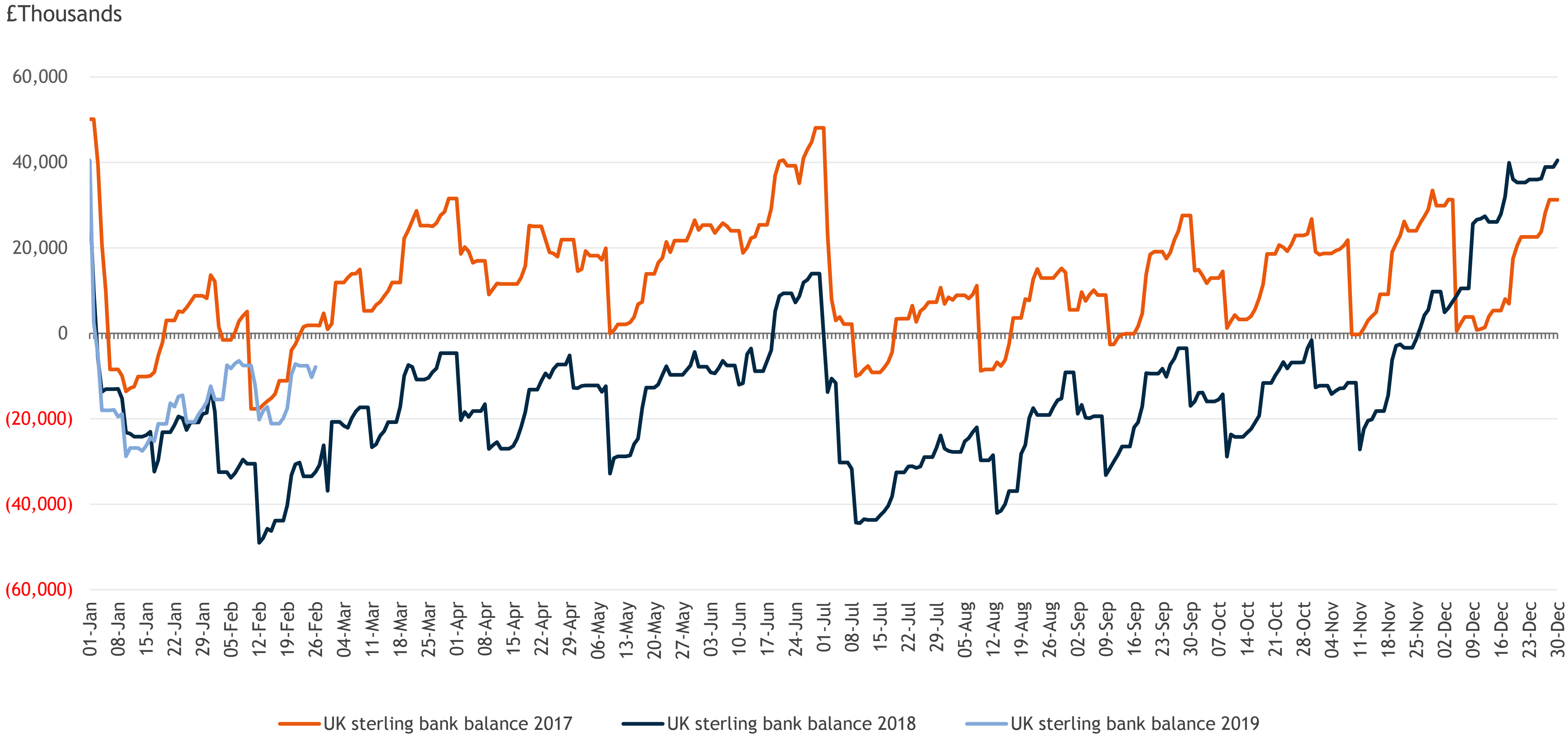
2018 CASH FLOW MOVEMENT

	2018 £000	2017 £000
Net cash flow from operating activities		
Profit before taxation	**40,447**	40,719
Depreciation, amortisation and impairment	**7,038**	5,845
Profit on sale of property, plant and equipment	**(50)**	(45)
Net finance cost	**884**	665
Share-based payments	**1,478**	1,218
Working capital changes	**209**	6,108
Cash generated from operations	**50,006**	54,510
Interest paid	**(1,426)**	(761)
Tax paid	**(7,789)**	(8,388)
Pension contributions	**(747)**	(2,164)
Net cash from operating activities	**40,044**	43,197
Net cash flow from investing and financing activities		
Acquisition of subsidiaries net of cash acquired	**(9,141)**	(24,763)
Repayment of acquired borrowings on acquisition	**(435)**	(7,042)
Acquisition of property, plant and equipment	**(4,384)**	(3,058)
Share movements	**(4,764)**	(377)
Net movement on borrowings	**211**	(230)
Dividends paid	**(20,969)**	(25,729)
Other	**1,004**	766
Net increase/(decrease) in cash	**1,556**	(17,236)

BALANCE SHEET AS AT 31 DECEMBER 2018

	2018 £000	2017 £000
Non-current assets		
PPE	**102,048**	101,631
Intangible assets	**50,924**	44,662
Deferred tax assets	**516**	648
	153,488	146,941
Current assets		
Inventory	**132,704**	131,566
Receivable	**119,007**	127,976
Cash	**44,005**	42,030
	295,716	301,572
Total assets	**449,204**	448,513
Current liabilities		
Bank Overdraft	**(221)**	-
Loans	**(236)**	(233)
Payables	**(181,300)**	(190,299)
Employee benefits	**-**	(2,235)
Tax	**(6,730)**	(6,339)
	(188,487)	(199,106)
Non-current liabilities		
Other interest-bearing loans and borrowings	**(6,805)**	(6,519)
Trade and other payables	**(2,592)**	(4,938)
Provisions	**(2,249)**	(2,048)
Deferred tax liabilities	**(8,063)**	(6,847)
Employee benefits	**(5,888)**	(10,481)
	(25,597)	(30,833)
Total Liabilities	**(214,084)**	(229,939)
Net assets	**235,120**	218,574

UK STERLING NET DEBT
DAILY BALANCES



Average net debt in 2018: £16.9 million (2017: £9.2 million net funds)

INVESTMENTS AND DIVIDENDS

ONGOING CAPEX

- £3 - 4 million maintenance capex per annum in connection with running operations in largely freehold property portfolio
- £102.0 million of property, plant and equipment assets

IPSWICH

- New regional distribution centre in Ipswich, total capex of c £26 million:
  - 2018: £0.5 million
  - 2019: Approx. £16.0 million (including the land purchased for £4.0 million in February 2019)
  - 2020: Balance
- Operational mid-2020
- Will enable greater network optimisation and support to the surrounding businesses and customers in the South East

DIVIDENDS

- Commitment to a progressive dividend policy
- Seek to protect dividend payments against short-term fluctuations in profit resulting from temporary adverse trading conditions
- Total ordinary dividend in respect of 2018 increased slightly to 25.0 pence (2017: 24.8 pence):
  - Cash outflow of £21.0 million
  - Free cash flow cover ratio of 1.7

ACQUISITIONS

GREATER LONDON:

- Expanded footprint in Greater London area where have historically been underrepresented
- Ashmount, Rackhams* and Garrod Bros*
- *Total spend in 2018: £3.2 million*

CONTINENTIAL EUROPE:

- Dersimo increased presence and geographical coverage in the Netherlands
- Progress towards operating synergies with existing Headlam BV business
- *Total spend in 2018: £3.4 million*

SPECIFICATION:

- CECO, based south of Belfast, extended position in the specification area
- In-line with focus on higher-margin products and market segments, and strategy to broaden position within the overall industry
- *Total spend in 2018: £2.5 million*

Monitoring a deliberately reduced pipeline of acquisition opportunities, with focus on improvement of the existing network

*Both Rackhams and Garrod Bros are currently subject to a merger inquiry by the CMA

CURRENT TRADING AND OUTLOOK

2019 DIVIDEND

- 2019 dividend currently intended to be maintained in-line with 2018 despite anticipated lower underlying profit before tax in 2019*
- Enabled by strength of Balance Sheet and operational cash generation
- Reflects confidence in ability to improve profitability going forward

POSITIVE START TO THE YEAR

- Both the UK and Continental Europe positive on a like-for-like revenue basis
- Further progress underway in implementing and expediting the efficiency initiatives
- Increasing contributions in 2019, 2020 and beyond

*Company-compiled consensus market expectations for 2019 revenue and underlying profit before tax is £705.7 million and £39.6 million respectively (mean) (prior to any restatement due to new accounting standards)

APPENDICES

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INVESTMENT CASE

Significant scale and longevity of operations underpinned by capital efficiency and progressive dividend policy.

MARKET LEADER

- 26 years of operations and expertise
- Significant scale and dense coverage, with multiple businesses and touch-points
- Broadening overall industry position with room for growth

DISTRIBUTION NETWORK

- Significant warehousing network and inventory positions, supporting the customer service proposition
- Substantial time and resources required to replicate, creating a significant barrier to entry
- Largely freehold portfolio underpinning value, with property, plant and equipment assets totaling £102.0 million

FINANCIAL STRENGTH

- Strong balance sheet and operational cash generation
- Net cash of £36.7 million as at 31 December 2018, and included acquisition spend of £9.1 million during the year
- Strong cash generation, with cash generated from operations being 121% of operating profit

RELATIONSHIPS

- Long-established supplier and customer relationships
- Partnership with 199 suppliers in 22 countries
- Broad and diverse customer base, with 71,384 active accounts and over 5.3 million orders processed in 2018

EFFICIENCY INITIATIVES

- Gross margin improved 130 basis points to 32.3% over two years*, with focus on gradual improvement
- Multiple efficiency initiatives underway aimed at improving operating margin
- Initiatives at early roll-out phase and trialling to positively impact coming years

DIVIDEND

- Continued commitment to progressive dividend policy
- Total ordinary dividend of 25.0 pence in 2018
- Intention to maintain 2019 dividend in-line with 2018 reflecting confidence despite lower profit guidance

*Gross margin for 2016 financial year restated to present comparatives on a consistent basis due to the reclassification in 2018 of some items between revenue costs of sales and operating expenses to better reflect their nature

EFFICIENCY INITIATIVES

A number of efficiency initiatives aimed at lowering the breakeven point and improving operating margin are at the early roll-out phase or trialling. They will yield increasing benefits as 2019 progresses and have a more meaningful impact in 2020 and beyond. An overview of the main 10 initiatives are given in the table below.

Initiative	Description	Status
1. Inventory Management	A stock reordering and management algorithm to i) improve stock-turn and increase warehouse capacity; ii) reduce stock-outs and improve customer service; iii) focus working capital investment on fastest-moving products; and iv) enable improved supplier production scheduling.	2018: Trialled 2019: Roll-out phase
2. Dynamic Route Planning	A dynamic route planning software system to improve usage and efficiency of the commercial fleet. Giving rise to better vehicle load-fill, and associated cost savings through reduced fleet number and fuel consumption.	2018: Trialled 2019: Larger scale trials
3. Delivery Fleet Utilisation	Consolidation of geographic specific deliveries, whereby deliveries from different Headlam businesses to the same customer are consolidated into a delivery from the nearest warehouse location. Leading to enhanced customer service and improved operating efficiencies through reducing the cost to serve (via fleet and fuel consumption) whilst also reducing carbon footprint	2018: Initial trialling 2019: Potential trial roll-out to additional geographical locations
4. Vehicle Leasing	Extend the life of the vehicle leasing contracts across both the commercial vehicle and company car fleet. Delivers reduced lease costs and other associated cost savings, including costs connected to renewal and replacement.	2018: Commercial vehicle fleet migrated to new contract 2019: Company car fleet initiated
5. Goods Not For Resale (GNFR)	Review and leverage group purchasing (group procurement) to deliver cost savings and service improvements in relation to GNFR. Introduction of aligned group practices also aimed at reducing costs. Categories to include: Print; Consumables; Promotional Items; Continuous Stationary; Mobile Telecommunications; and Packaging.	2018: Tenders and contracts entered into 2019: Further tenders and actions initiated

EFFICIENCY INITIATIVES (CONTINUED)

Initiative	Description	Status
6. **Administrative Expenses**	Examine all components within Administrative Expenses with the objective of arresting the growing percentage of revenue it accounts for year-on-year, and ultimately improve operating margin.	2018: Analysis 2019: Review and planning, initial implementation 2020
7. **Cloud Migration**	Migration of all business servers to the Cloud to increase security and resilience, speed up processes with associated efficiencies, and allow a more flexible response to support future growth and expansion.	2018: Successful migration of first site 2019: Full migration completed
8. **Distribution Network Configuration**	Proposed new regional distribution centre in Ipswich, UK, to support businesses in the wider area, provide growth capacity, and enable greater network optimisation.	2018: Planning permission granted and construction consultants engaged 2019: Land acquisition and construction commence
9. **Streamlining of Processes**	Elimination of inconsistent pricing practices across the group, coupled with a move towards a more unitised pricing policy and focus on higher margin and exclusive products. Objective of improving and maintaining gross margin above historic levels.	2018: Gross margin improvement of 80 basis points* 2019: Maintain improvement
10. **Data Management and Analytics**	Introduce a business data management and analytics software solution to provide improved visibility of key performance metrics across the group. Enabling better identification of inefficiencies, and improved operational decision making and cost control.	2018: Software identified 2019: Implementation

**Gross margin for 2017 financial year restated to present comparatives on a consistent basis due to the reclassification in 2018 of some items between revenue costs of sales and operating expenses to better reflect their nature*

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