

INVESTOR PRESENTATION

January 2023

headlam

The leading floorcoverings distributor





Chris Payne Chief Executive

- About Us
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- Growth Strategy
- ESG Update and Board
- Summary



30 Years
Delivering flooring products, expertise and solutions across the industry

67 Businesses
To capture regional and national sales, supported by group’s centralised resources and processes

22 Main Distribution Sites
Extensive nationwide network, with ongoing investment (incl. systems, equipment and trade counters)

Extensive and growing customer base	Nationwide operations next day delivery / collections	Strong balance sheet and shareholder returns
Largest product offering and supplier base	Most comprehensive service offering	Comprehensive and developing ESG Strategy
Unrivalled expertise, knowledge and people	Focus on operational efficiency and cost control	Strong corporate governance

Comprehensive Growth Strategy
To increase market leading position, revenue and margin performance

2022 BACKDROP AND OUTTURN



2022 BACKDROP AND OUTTURN

Delivery of the strategy helping to offset weaker residential demand

2022 Backdrop and Trends

- Weak UK residential sector demand due to cost of living crisis (group revenue split: 69% residential, 31% commercial)
- However, good progress under the growth strategy helping to offset, with larger customer wins and trade counter roll-out
- Good commercial sector performance, including as it recovered from COVID-19 related issues in prior two years
- Pleasing performance from Continental Europe, positive across both residential and commercial sectors
- Support from manufacturer-led product price inflation

2022 Outturn and Results

- Revenue and underlying PBT both expected to be marginally ahead of market expectations
- Company-compiled consensus market expectations* (on a mean basis), prior to January's Pre-Close Trading Update:

	2022	2023
Rev	£653.3m	£654.7m
UPBT	£36.8m	£33.3m

- Announcing Final Results in early March 2023, details on meetings and live & recorded webinars to follow

**Please refer to Headlam's website for full details on the Company-compiled consensus market expectations, www.headlam.com*

GROWTH STRATEGY



Driving additional revenue growth from a more efficient operating base

- Focus on operating efficiency
- Investing in the network (sites and equipment) and systems to optimise performance and support revenue growth
- Modernisation and digitalisation to increase revenue opportunities and help lower cost to serve
- Improving service offering to all customer segments
- Actively target underweight customer segments, and larger share of the overall market

£3 billion* UK market

Trade customer segments



■ Good weighting ■ Underweight ■ Very underweight

*Source: LEK Consulting, 2020, calculated at distributors' selling price and inclusive of sales direct from manufacturers

Key revenue growth drivers

Significant additional revenue growth opportunities



Trade Counters Roll-out

Accelerating roll-out of new and improved Trade Counters sites nationwide. Increasing the geographic coverage and density, and appealing to a wider range of customers



Multiple Retailers / Larger Customers

Actively targeting the Multiple Retailers and other Larger Customers segments where Headlam is very underweight with tailored service propositions



Digital and Ecommerce

Enhanced Digital and Ecommerce capabilities and applications to increase revenue opportunities in all customer segments. Will also help lower the cost to serve



Products and Brands

New launches and relaunches of Products and Brands to increase sales and capture market share. Including launches of sustainable / recyclable ranges

Good progress being made in delivering on the strategy

TRADE COUNTERS

Accelerating roll-out of new and improved sites nationwide

Fast growing business unit:

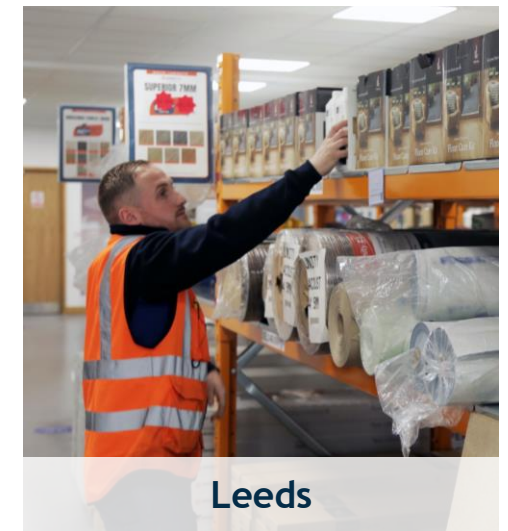
- 53 uninvested sites in 2021
- Target of 90 fully invested sites by 2025
- Adding c £120m of new revenue to base of £80m
- Total capex of c £25m

Good progress being made:

- 58 sites at end of 2022, with 24 invested
- Invested sites demonstrating strong KPIs against uninvested sites
- Revenue +10% for invested sites in 2022 (L4L basis)
- Strong pipeline of prospective sites
- New Managing Director of Trade Counters (previously Travis Perkins), with 3 Regional Directors
- Moving to national model, own business unit



Ipswich



Leeds



Swindon



Coleshill

MULTIPLE RETAILERS AND LARGER CUSTOMERS

Significant revenue opportunity from a modest position,
good progress being made

Offering a strong service proposition:

- Reduces complexity and cost for customer and supplier, work closely with both
- Tailored solutions
- Supply chain management / stockholding and storage solutions / processing / national distribution (any location / frequency)

Good progress being made:

- Number of new customer wins, including:
 - DIY chain
 - Builders merchant
 - Furniture retailer with new flooring offering
 - Top 10 UK housebuilder
- Considerable scalability opportunity with each as number of SKUs is increased

HOMEBASE
FEELS *good* TO BE HOME

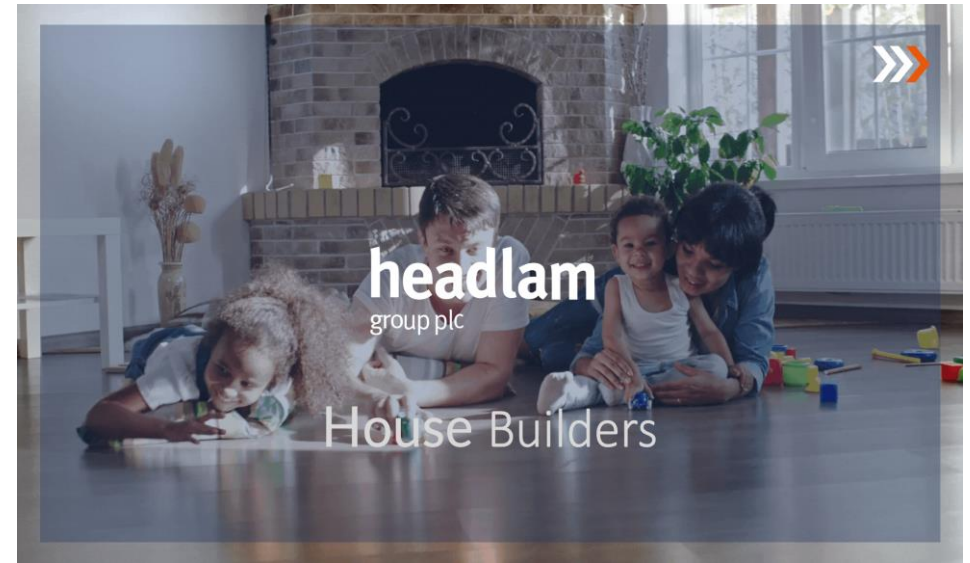
A leading UK home
improvement
retailer with
nationwide stores

A top 10 UK
housebuilder

 **Oak**
furnitureland

MULTIPLE RETAILERS AND LARGER CUSTOMERS

Case Studies



Homebase

- 2 year contract signed in May 2022
- A leading home improvement retailer and garden centre, with over 150 stores
- Initial number of laminate SKUs being delivered to entire store network
- Potential to scale up, and add further products
- Good start to 2023

Top 10 UK housebuilder

- Vast majority of all new UK homes sold with flooring
- Headlam's first national contract with a housebuilder
- Contract signed in August 2022
- Providing a product range, sampling, training package to regional sales centres
- Sales coming through

DIGITAL AND ECOMMERCE

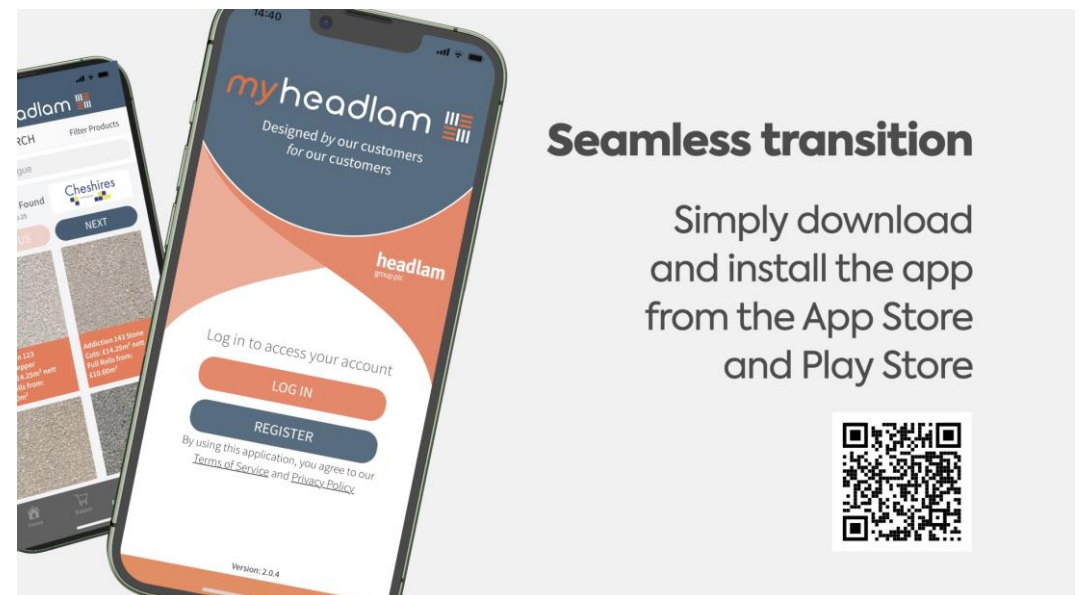
Increasing revenue opportunities and helping lower the cost to serve

Investment being made in:

- New and improved digital channels, including B2B websites and myheadlam app
- Product brand awareness
- Core operating system
- Further systems integration, to particularly support larger customers and suppliers
- People skills, with CIO appointed

Good progress being made:

- 26% of sales from digital channels at Dec 2022 (11% in 2019)
- Initial target of 30%
- More effectively supporting existing and new larger customers
- +£6m sales from app since launch in Nov 21, app now available at Apple and Google Play stores

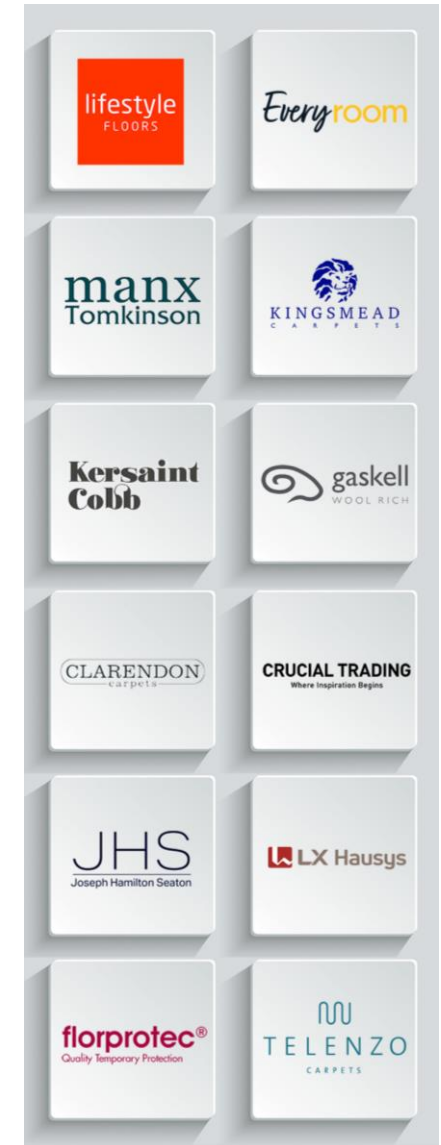


PRODUCT AND BRANDS


Brands being refreshed and relaunched to support increased sales

Leveraging Headlam's brands

- Headlam offers product from less than £10 per sqm to over £150 per sqm (retail prices)
- Headlam owns a number of well regarded and recognised brands, including:
 - Crucial Trading** (upper price point)
 - Kersaint Cobb** (middle/upper price point)
 - Lifestyle** (middle/lower price point)
 - Everyroom** (lower price point, 'new')
- Existing brands being refreshed and relaunched, with improved websites and social media
- Helping to keep relevant and increase sales
- Focus on developing new brands, including sustainable / recyclable ranges
- New Chief Customer Officer appointed (previously ufnish.com and DFS)



Launch of new and exclusive affordable residential range in 2022



The banner features the 'Everyroom' logo in the top left and 'headlam' in the top right. The main text reads: 'Exclusive, great value, on-trend flooring available to Headlam customers across the United Kingdom'. Below this is a 'PRICE FREEZE until April 2023' callout with a sub-note: '*prices held on deliveries up to 6th April, 2023'. The background shows a grey carpeted floor, a green plant, and a wooden table with a bowl of oranges. At the bottom, a dark bar contains the text: 'Contact your local Headlam/Everyroom sales representative for product samples and details'.

Everyroom

headlam

Exclusive, great value, on-trend flooring available to Headlam customers across the United Kingdom

PRICE FREEZE until April 2023

*prices held on deliveries up to 6th April, 2023

Everyroom ranges

Exclusive carpet ranges

Exclusive cushion vinyl ranges

Contact your local Headlam/Everyroom sales representative for product samples and details

- Available to all Headlam customers, with free sampling
- Helping to secure sales at a time when end-consumers more cost conscious
- Very positive feedback, sales of +£6m since formal launch in Q3 2022, and now a finalist for a Trade Award in 2023
- Continuing to roll-out range and displays, and holding prices

ACQUISITION OF MELROSE INTERIORS IN 2023

headlam

Supports delivery of the strategy in a number of areas

Leading distributor of rugs

- Largest independent supplier to UK online rug industry (Headlam very underweight)
- Many larger customers, including major high street and online retailers (new to Headlam)
- Also has operations in:
 - 3PL (third-party logistics)
 - In-house rug, sampling and pattern book department
 - Recycling and upcycling
- Will work together to scale up opportunities

Leading environmental credentials

- Award winning [Re]lay brand of recycled rugs
- Diverts c 5,000 tonnes of waste carpet from landfill per annum
- Also upcycles surplus carpet from across the industry into samples and pattern books



melrose interiors



[Re]lay



ESG UPDATE AND BOARD



ESG UPDATE AND BOARD

Continuing to meaningfully develop and progress the established ESG Strategy

Recent ESG Updates

Environmental

- Net Zero 2035 (Scope 1 and 2) transition planning underway, and SBTi aligned interim target introduced
- Installation of solar panels across all larger sites during 2023, and continued roll-out of low carbon vehicles

Social

- Targeted salary increases, tiered 2023 annual pay award, and ensuring everyone receives equivalent of National Real Living Wage
- Non-financial support including mental health assistance, colleague recognition, and local communities programme

Governance

- Increased stakeholder engagement, including suppliers on Supply Chain Risk
- Strengthened Board, and oversight of governance and strategy

Recent Board Appointments

Increased oversight and contributions to strategy

- **Karen Hubbard**, formerly CEO of Card Factory plc, the UK's leading specialist retailer
- **Robin Williams**, formerly CEO and Executive Director with FTSE 250 companies within packaging and building materials industries
- **Jemima Bird**, SID and Rem Chair at Revolution Bars Group plc, and previously a NED at Carpetright plc
- **Adam Phillips** joining as Chief Financial Officer late March 2023, previously:
 - Group Financial Controller at National Express Group PLC, FTSE 250 leading international transport provider
 - Halfords Group plc, leading UK provider of motoring and cycling products and services

Full Sustainability Report being published March 2023 in conjunction with 2022 Annual Report

SUMMARY



SUMMARY

Strategy proving an effective countermeasure against current weaker UK residential demand

Solid base

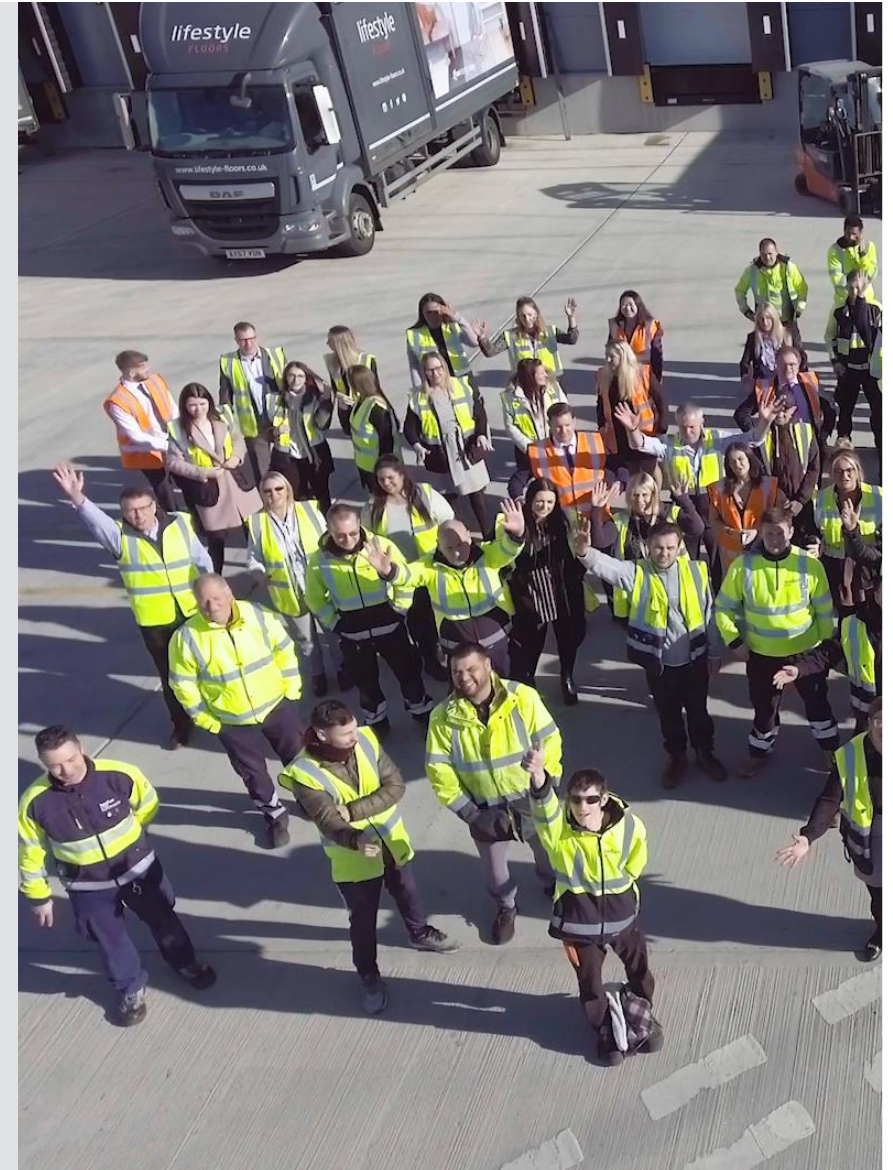
- Market leading by a significant degree
- Strong balance sheet and shareholder returns profile
- Many opportunities to increase overall market share

Comprehensive strategy

- Revenue growth drivers proving effective, good countermeasure to current market backdrop
- Accelerating contributions and roll-out from 2023 onwards
- Relatively modest investment for expected material revenue growth
- Strengthened Board and Executive Team to increase oversight and contribution to strategy

Well positioned

- Delivering on the strategy, and gaining market share per commissioned research
- Further operating efficiency measures to come
- Set fair for when current headwinds ease



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Q&A



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