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group plc

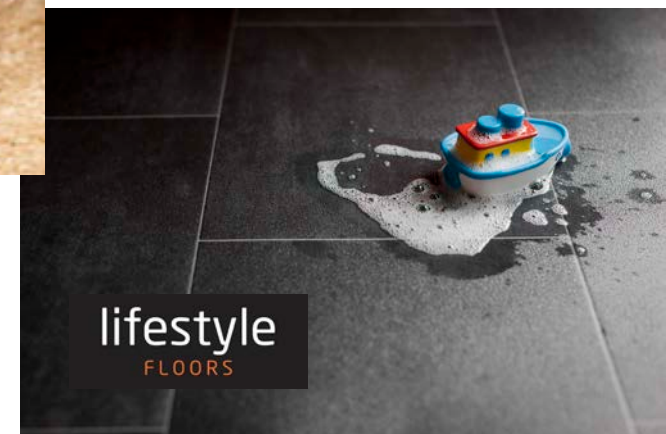
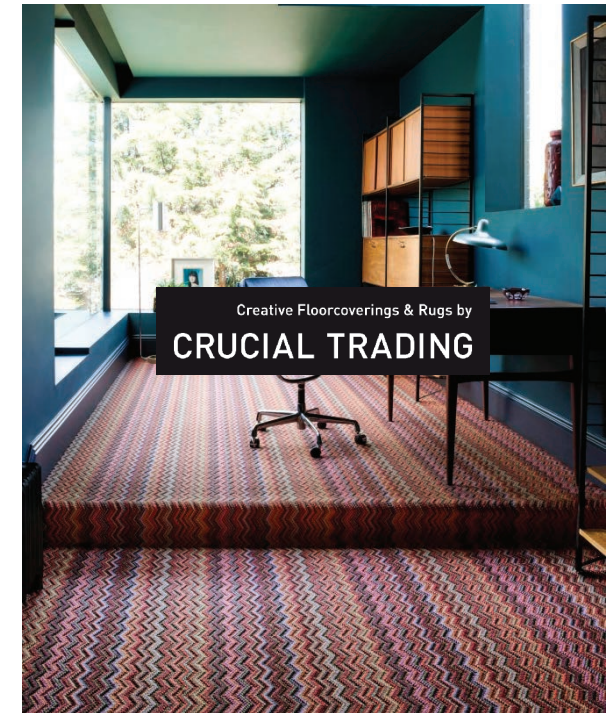
Interim Results
for the six months ended 30 June 2017

Company Overview and Business Model

- Europe's largest distributor of floorcoverings
- Distribution link between suppliers and customers of floorcoverings, linking together a global supplier base and extensive customer base in UK and Continental Europe
- Grown significantly via organic growth and acquisition since 1992, to comprise 61 businesses:
 - > 58 UK and 3 Continental Europe (France, the Netherlands and Switzerland)
 - > Each operate under their own brand and utilise individual sales teams to increase customer penetration
 - > Each benefit from centralised and financial resources
- Engaged with suppliers across 16 countries, whose products cover a significant proportion of the floorcoverings market
- Customers within residential and commercial sectors who benefit from next day delivery, and comprise principally independent retailers and flooring contractors:
 - > Total revenue split: c 68% residential and 32% commercial



Selected Company Businesses



H1 2017 Financial Highlights

- Total revenue increased by 4.0% to £341.9 million (H1 2016: £328.7 million)
- UK like-for-like revenue* growth of 2.1% (H1 2016: 3.4%) and Continental Europe like-for-like revenue* growth of 3.0% (H1 2016: 2.8%)
- Gross margin improvement of 103 basis points to 31.06% reflecting efficiency initiatives and more effective organisation and streamlining of the Company's businesses' practices
- Profit before tax increased by 11.0% to £16.8 million (H1 2016: £15.1 million)
- Basic earnings per share increased by 12.5% to 16.2p (H1 2016: 14.4p)
- Interim dividend increased by 12.7% to 7.55p (2016 interim dividend: 6.70p), equivalent to the uplift in basic earnings per share
- Net funds of £49.8 million as at 30 June 2017 (£33.9 million as at 30 June 2016)

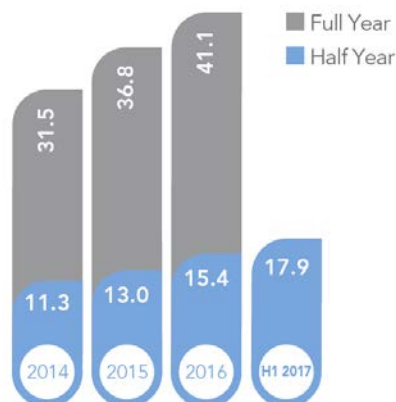
** Like-for-like revenue is calculated based on constant currency from activities and businesses that made a full contribution in both the 2017 and 2016 periods and is adjusted for any variances in working days*

Financial Track Record (3 years)

Revenue £million

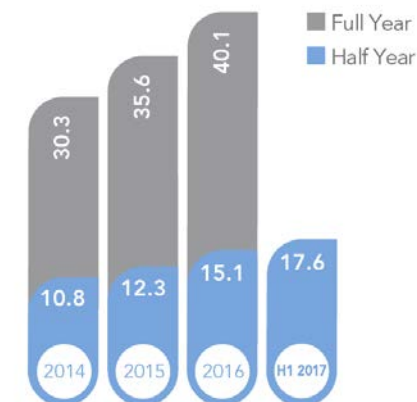


Underlying*
Operating Profit £million



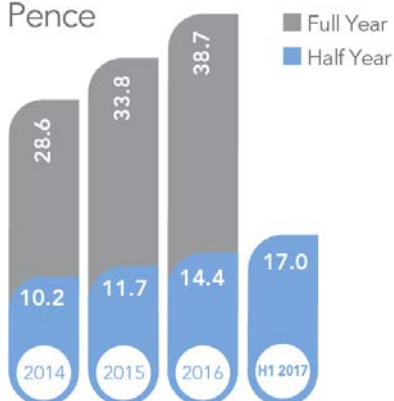
* Before non-recurring items

Underlying*
Profit Before Tax £million



* Before non-recurring items

Underlying*
Basic Earnings Per Share
Pence



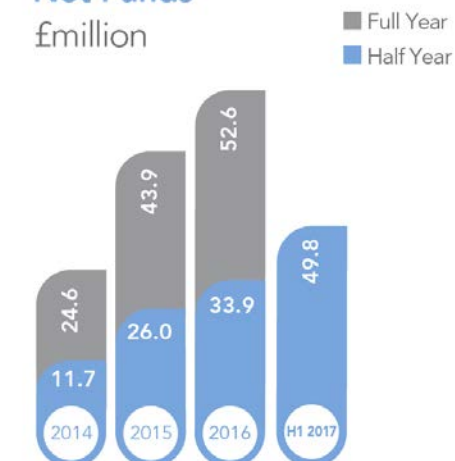
* Before non-recurring items

Total Dividends
Declared and Proposed
Pence†



† A special dividend of 6.00 pence and 8.00 pence was declared in respect of the financial years 2015 and 2016 respectively in addition to the total ordinary dividend

Net Funds
£million



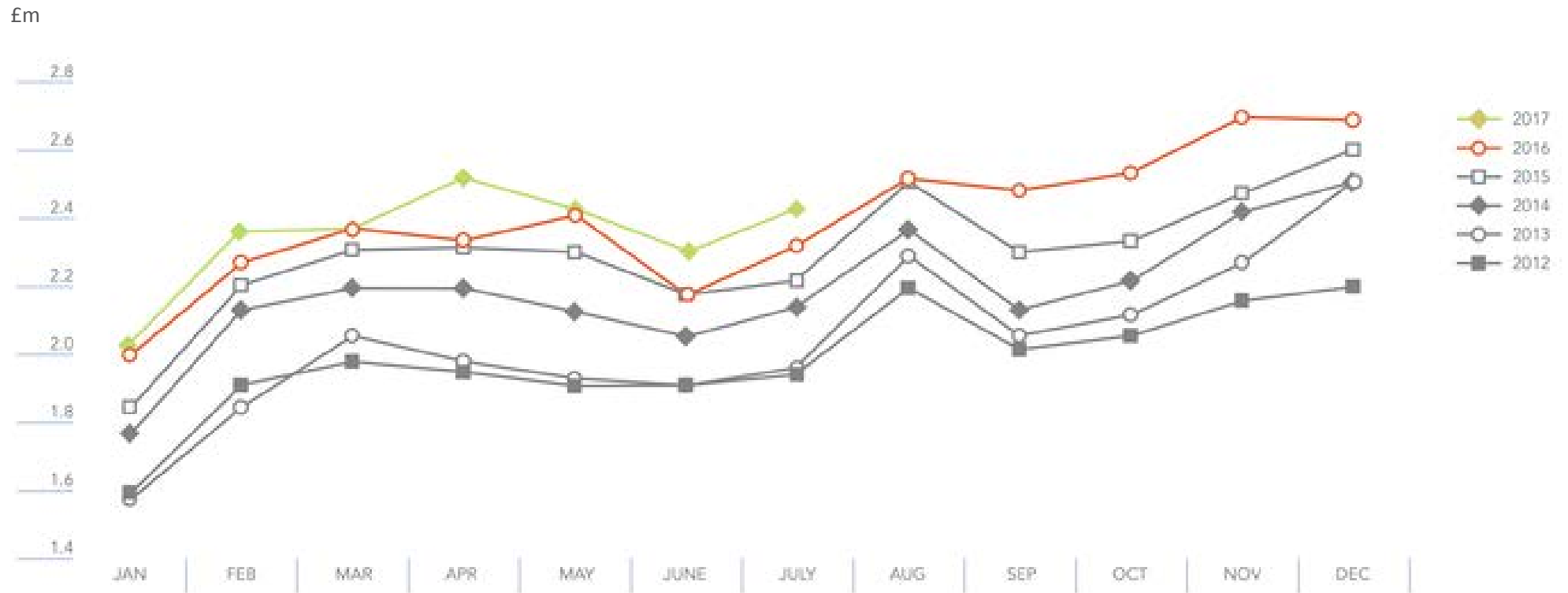
H1 2017 Operational Highlights

- Two bolt-on acquisitions completed in H1 2017, both adding new geographic locations in the UK and increasing the number of businesses to 61:
 - > Mitchell Carpets Limited, Poole
 - > McMillan Flooring Distributors Limited, Edinburgh and Glasgow
- Continued expansion of the distribution network with 60 trade counters as at 30 June 2017:
 - > FY 2016: 55
 - > FY 2015: 48
- Number of operating efficiency initiatives undertaken and ongoing to support future growth (Page 8)
- Appointment of Chris Payne as Chief Financial Officer and Executive Director, who joins the Company on 13 September 2017 from Biffa plc



New Trade Counter opened for Wilkies in Darwen, Blackburn

H1 2017 UK Daily Sales*



* On a like-for-like basis

H1 2017 Income Statement

	H1 2017		H1 2016		H1 2015		Variance H1 2017 v H1 2016
	£000	%	£000	%	£000	%	%
Revenue	341,868	100	328,673	100	313,546	100	4.0
Cost of sales	(235,694)		(229,961)		(220,428)		
Gross Profit	106,174	31.1	98,712	30.0	93,118	29.7	7.6
Distribution Costs	(65,201)	(19.1)	(62,150)	(18.9)	(59,165)	(18.9)	4.9
Administrative expenses	(23,855)	(7.0)	(21,197)	(6.4)	(20,931)	(6.7)	12.5
Operating profit	17,118	5.0	15,365	4.7	13,022	4.1	11.4
Finance income	146	-	498	0.1	115	-	(70.1)
Finance expenses	(497)	(0.1)	(752)	(0.2)	(789)	(0.2)	(33.9)
Net finance costs	(351)	(0.1)	(254)	(0.1)	(674)	(0.2)	38.2
Profit before tax	16,767	4.9	15,111	4.6	12,348	3.9	11.0
Taxation	(3,102)	(0.9)	(3,022)	(0.9)	(2,500)	(0.8)	2.6
Profit for the year attributable to the equity of shareholders	13,665	4.0	12,089	3.7	9,848	3.1	13.0
Basic earnings per share - pence	16.2p		14.4p		11.7p		12.5
Proposed interim dividend - pence	7.55		6.70		6.00		12.7

H1 2017 Revenue Movement

	<u>£000</u>	<u>%</u>	<u>£000</u>	<u>%</u>
Revenue for the first six months ended 30 June 2016				
UK	286,260	87.1		
Continental Europe	42,413	12.9		
			<u>328,673</u>	<u>100.0</u>
Items contributing to growth during the first six months ended 30 June 2017				
Like for like UK organic growth	5,993	2.1		
Acquisition	1,267	0.4		
			<u>7,260</u>	<u>2.5</u>
Growth in Continental Europe	1,282	3.0		
Translation effect	4,653	-		
			<u>5,935</u>	<u>14.0</u>
Total movement			<u>13,195</u>	<u>4.0</u>
Revenue for the first six months ended 30 June 2017				
UK	293,520	85.9		
Continental Europe	48,348	14.1		
			<u>341,868</u>	<u>100.0</u>

Gross Margin Initiatives and Improvement

- Focused on delivering gross margin improvement in H1 2017
- Gross margin returned to historic level of 31% through implementing various efficiency initiatives and more effective organisation and streamlining of the Company's businesses' practices
- Initiatives undertaken and ongoing include:
 - > Improving stock reordering and management through a more automated process
 - > Reduction in the inventory aged profile
 - > Merging of financial and IT platforms
 - > De-duplication of inventory in locations in close proximity
 - > Warehouse reconfiguration to improve capacity to support growth
 - > Focus on higher margin and exclusive products
 - > Elimination of inconsistent pricing practice coupled with the move towards a more unitised pricing policy

Underlying* Gross Margin %



* Before non-recurring items

H1 2017 Movement in Net Expenses

	Total Expenses		Distribution		Administration	
	£000	%	£000	%	£000	%
Expenses for the prior year period	83,347		62,150	74.57	21,197	25.43
Significant items contributing to the movement:						
People cost	776	17.87	1,204	63.44	(428)	(17.51)
Fuel	110	2.53	119	6.27	(9)	(0.37)
Commercial vehicle expenses	342	7.89	342	18.02	-	-
Carriage costs	84	1.94	84	4.44	-	-
Packaging costs	56	1.29	56	2.95	-	-
Sales rebates	(122)	(2.81)	(122)	(6.42)	-	-
Orderbook write-down	800	18.42	-	-	800	32.74
Professional fees	496	11.43	-	-	496	20.29
Insurance	185	4.27	-	-	185	7.59
IT Expenditure	66	1.52	-	-	66	2.70
Heat, light and power	(77)	(1.77)	-	-	(77)	(3.15)
Rent	56	1.29	-	-	56	2.29
Rates	89	2.06	-	-	89	3.64
Share based payments	(197)	(4.54)	-	-	(197)	(8.06)
Settlement discounts	501	11.54	-	-	501	20.50
Loss on European loans 2016	508	11.70	-	-	508	20.79
Incremental effect of acquisitions	409	9.41	232	12.22	177	7.24
Other	260	5.96	(17)	(0.92)	277	11.31
	4,342	100.00	1,898	100.00	2,444	100.00
Currency translation	1,367		1,153		214	
Expenses for the current year	89,056		65,201	73.21	23,855	26.79

H1 2017 Underlying Operating Profit Movement

	£000
Operating profit 2016	15,365
Gross margin improvement:	
Volume benefit	3,705
Pricing benefit	3,374
Effect of acquisitions	383
	<u>7,462</u>
Expenses increase:	
Distribution	(2,820)
Administration	(2,481)
Effect on acquisitions	(408)
Write-off of customer relationships*	800
Total increase	<u>(5,709)</u>
Underlying total increase	<u>(4,909)</u>
Operating profit 2017	<u>17,118</u>
Underlying operating profit 2017	<u>17,918</u>
Drop-through rate as a percentage of incremental revenue	13.3%
Underlying drop-through rate as a percentage of incremental revenue	19.3%

**Intangibles write-off relating to the customer relationships of the two businesses acquired in the period, Mitchell Carpets Limited and McMillan Flooring Distributors Limited, in-line with the Company' accounting policy*

H1 2017 Cash Flow

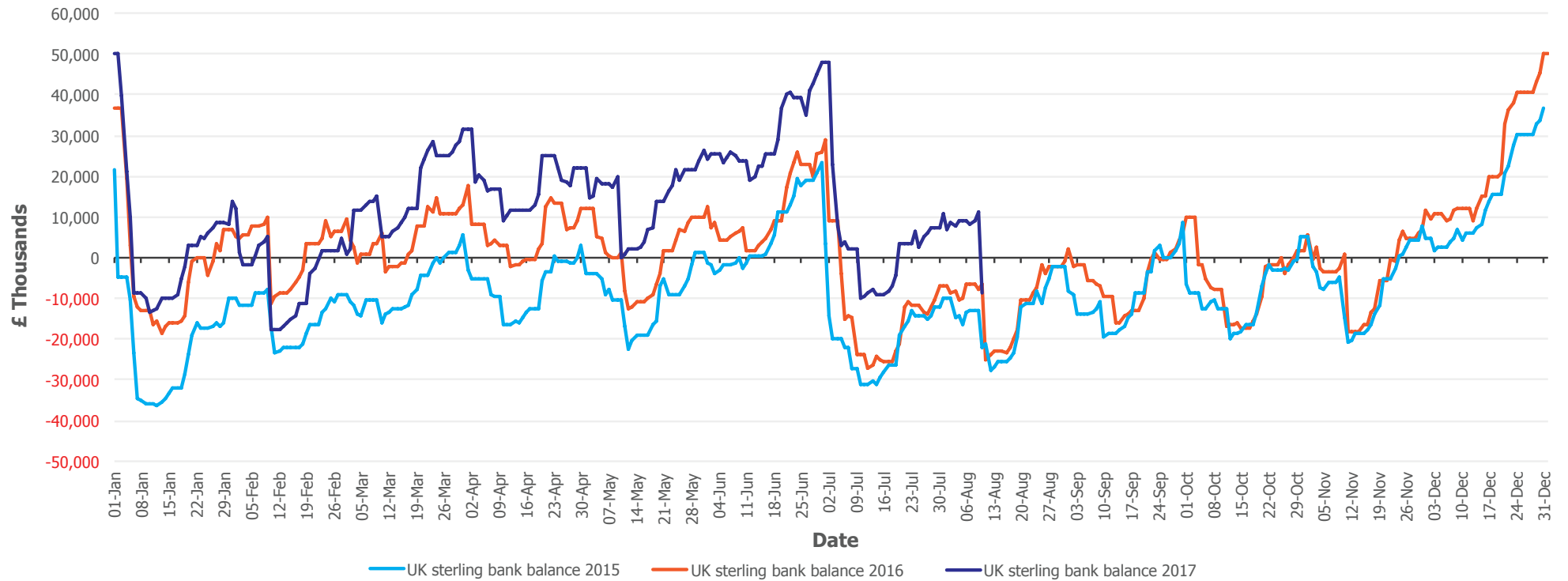
	H1 2017 £000	H1 2016 £000	Variance £000
Cash flow from operating activities			
Operating profit	17,118	15,365	1,753
Depreciation, amortisation and impairment	3,203	2,389	814
Profit on sale of fixed assets	(44)	(11)	(33)
Equity settled share based payments	517	714	(197)
	20,794	18,457	2,337
Inventory	(2,613)	(7,682)	5,069
Receivables	(3,585)	(4,251)	666
Payables	6,017	166	5,851
Working capital	(181)	(11,767)	11,586
Working capital investment as percent of sales	(0.05%)	(3.58%)	
Cash generated for operations	20,613	6,690	13,923
	120.4%	43.5%	
Interest	(403)	25	(428)
Dividends	(12,369)	(10,096)	(2,273)
Taxation	(5,077)	(4,306)	(771)
Capital expenditure	(1,907)	(1,419)	(488)
Pensions	(1,079)	(1,121)	42
Acquisitions	(1,942)	-	(1,942)
Share movement	(579)	4	(583)
Movement in net debt	14,887	(5,000)	19,887
	(8,469)	(21,913)	13,444
	12,144	(15,223)	27,367

Balance Sheet as at 30 June 2017

	H1 2017	*H1 2016	Variance
	£000	£000	£000
Non-current assets			
PPE	102,744	104,163	(1,419)
Intangible assets	10,673	10,388	285
Deferred tax assets	920	372	548
	114,337	114,923	(586)
Current assets			
Inventory	129,709	127,051	2,658
Receivables	131,062	123,645	7,417
Cash	71,566	49,298	22,268
	332,337	299,994	32,343
Total assets	446,674	414,917	31,757
Current liabilities			
Bank overdraft	-	(429)	429
Loans	(230)	(15,000)	14,770
Payables	(187,244)	(170,974)	(16,270)
Dividends payable	(13,360)	(12,368)	(992)
Employee benefits	(2,205)	(2,135)	(70)
Tax	(4,660)	(5,640)	980
	(207,699)	(206,546)	(1,153)
Non-current liabilities			
Loans	(21,563)	-	(21,563)
Provisions	(1,531)	(1,087)	(444)
Deferred tax liabilities	(4,039)	(4,533)	494
Employee benefits	(18,444)	(15,301)	(3,143)
	(45,577)	(20,921)	(24,656)
Total liabilities	(253,276)	(227,467)	(25,809)
	193,398	187,450	5,948
Cash	71,566	49,298	22,268
Bank overdraft	-	(429)	429
Current loans	(230)	(15,000)	14,770
Non-current loans	(21,563)	-	(21,563)
Total debt	(21,793)	(15,429)	(6,364)
Net funds	49,773	33,869	15,904

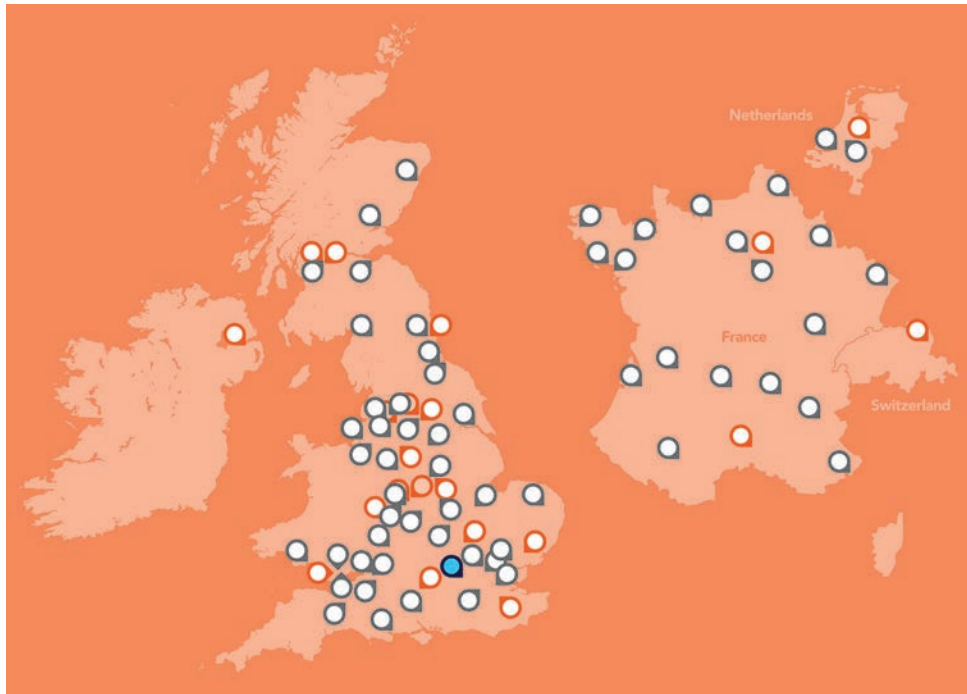
** The results for the half year ended 30 June 2016 have been restated to reflect changes made at 31 December 2016 reported in note 1 of the Company's Annual Report and Accounts for the year ended 31 December 2016.*

UK Sterling Net Debt Daily Balances



Distribution Network

All 22 Distribution Hubs/Centres owned freehold or long-leasehold



NETWORK	NO.	APPROX. AVERAGE SIZE (cubic feet)
 Distribution Hub	4	6,900,000
 Distribution Centre	18	1,800,000
 Trade Counter	60	90,000
 Corporate Showroom	1	N/A

Expansion of Network

Acquisitions

- Two bolt-on acquisitions completed in the period - Mitchell (regional residential and commercial) and McMillan (regional commercial)
- Established new locations in Poole and Edinburgh
- Total net consideration of £1.9 million
- Good pipeline of potential acquisitions with the objective of bringing strategic and/or geographic benefits to the Company and expanding certain product lines

Ipswich

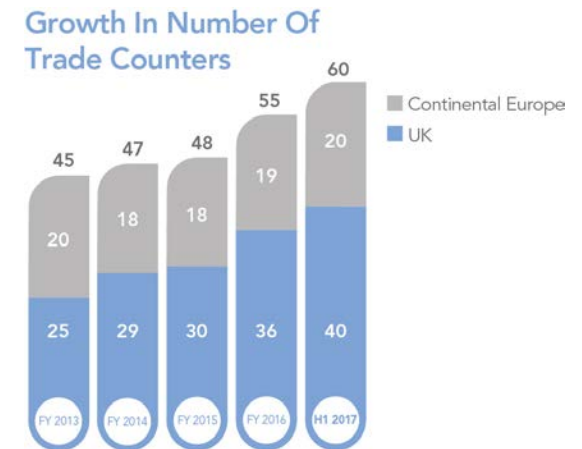
- Plans for a new Distribution Centre in the Ipswich area continue to be progressed
- Preferred site remains purpose-built distribution park - quicker build and operational timeline
- Will rehouse capacity constrained Faithfulls Floorcovering and potentially support other businesses in the wider area to enhance their customer service proposition
- Current timeline should allow for operational during H1 2019

Expansion of Network (continued)

Trade Counters

- Proven to be a cost-effective way to expand the network and customer base, and improve the service offering:

- > Typical capex c £100K
- > Increases product availability
- > Supports the increasing number of customer collections
- > 953,428 customer collections in the UK in 2016 (2015: 923,900)



- Appeals to sole traders and smaller businesses, who typically have limited or no premises to hold stock, and require items on very short timescales
- 5 trade counters added in H1 2017 - 3 from acquisition and 2 new openings
- Currently 60 trade counters (UK: 40; Continental Europe: 20) (FY 2016: 55; FY 2015: 48)
- Further scope to expand the trade counter network - two to three anticipated over the next year

Current Trading and Outlook

- Performance typically H2 weighted:
 - > H2 2016 accounted for 52.6% of total revenue and 60.4% of PBT for the year
 - > Highlights the disproportionately positive impact that increased revenue and operational gearing have on profitability
- Annual summer refurbishment projects, particularly in educational sector:
 - > Traditionally busiest period for Company's commercial sector
 - > Revenue currently above the level of the comparable period in 2016
- Trading in the first few weeks of H2 2017 is performing to expectations with continued growth in the UK and Continental Europe against the prior period:
 - > UK July 2017 like-for-like revenue* growth: 2.5%
 - > Continental Europe July 2017 like-for-like revenue* growth: 5.1%
- Continuing to trade in-line with the Board's expectations for FY 2017

** Like-for-like revenue is calculated based on constant currency from activities and businesses that made a full contribution in both the 2017 and 2016 periods and is adjusted for any variances in working days*



APPENDICES

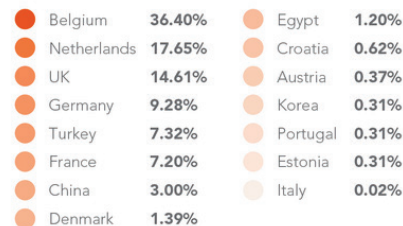


Suppliers

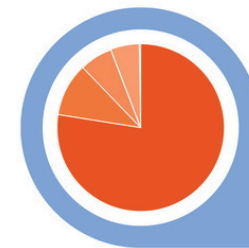
- Currently engaged with 107 significant suppliers in 16 countries
- Provide them with the greatest coverage and customer penetration for their products across UK and Continental Europe
- Suppliers' products cover a significant proportion of the floorcoverings market including:

- > Carpet
- > Residential vinyl
- > Wood
- > Laminate
- > Luxury vinyl tile (LVT)
- > Underlay
- > Commercial flooring

Residential sector purchases by country*



Commercial sector purchases by country*



* Based on actual purchase prices from suppliers

- Work in conjunction with suppliers to tailor and launch new product lines, and increase awareness amongst customers through POS material
- Through increasing revenue able to benefit from purchasing economies of scale with suppliers

Customers

- 5,586,829 customer orders in 2016 (2015: 5,419,074):
 - > UK customer collections 2016: 953,428 (2015: 923,900)
- Revenue split between residential and commercial sectors has remained broadly similar over the past few years at c 68% residential
- Principal customer is independent retailers, meaning orders are typically smaller and more frequent in nature:
 - > Average order cut value for residential carpet and residential vinyl in 2016 was £127.44 and £68.03 respectively
- High degree of consistency in customer order patterns throughout the year:
 - > August – Educational institutions refurbishment during summer holidays
 - > Q4 – Redecoration in residential accommodation in run-up to Christmas



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