FULL YEAR RESULTS

March 2024

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The leading,
most trusted
experts in flooring

AGENDA

Chris Payne
Chief Executive

Adam Phillips
Chief Financial Officer

- Introduction & Market Update
- FY 2023 Financial Performance
- Strategic & Operational Update
- Outlook & Summary

INTRODUCTION & MARKET UPDATE

ABOUT US

Long heritage; strong and broadening foundations

30 years of operating excellence

- Knowledgeable and long serving colleagues (2,300+)
- Servicing a large and diverse trade customer base
- Long established supplier relationships across the globe

Nationwide network and operations

- 68 national and regional businesses / brands to maximise reach and sales opportunity
- Next day delivery from extensive distribution network (22 hubs and centres)
- Growing number of trade counter collection sites (67 at end of 2023)

Broadest and largest product range

- Spanning a wide spectrum of price points and product categories
- Large portfolio of exclusive own brand products, and well recognised brands
- New launches, including sustainable and recyclable products

Expanding an already leading customer service

- Dedicated sales teams and marketing support
- Tailored service propositions for customer needs and comprehensive solutions
- Investing in ecommerce and industry leading digital channels

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FY 2023 OVERVIEW

Strategic initiatives delivering

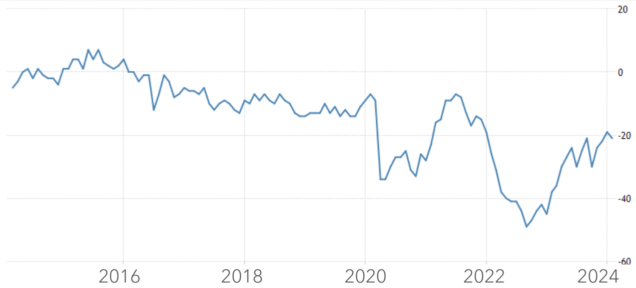
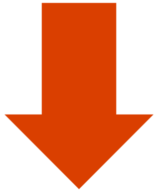
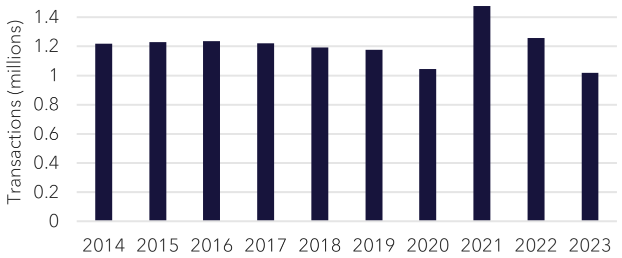
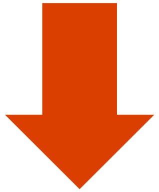
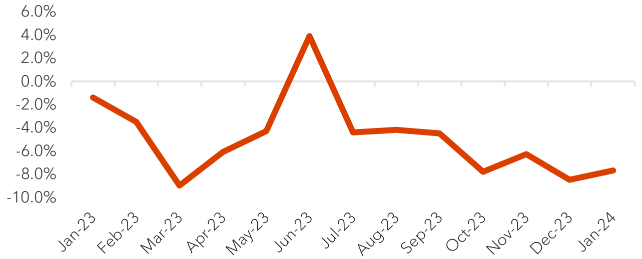
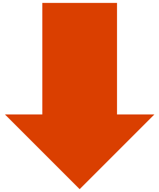
Profits lower due to macro and industry headwinds

Strong operating cash generation

Investing for the future

- Strong revenue growth from Larger Customers (+25.6%) and Trade Counters (+8.5%); Own Product Brand revenue up 2.7%
- The cost-of-living crisis and reduction in residential property transactions combined to materially reduce consumer spending on home improvements, resulting in 7.0% decline in Regional Distribution revenue
- Group revenue -1.1% at £657m; UK flat and Continental Europe -7.7%
- Underlying PBT £11.0m (2022: £37.1m) impacted by macro and industry headwinds of lower residential trading volumes, lack of manufacturer-led price increases, and high operating cost inflation; partially offset by £10m of efficiencies and mitigating actions
- Strong operating cash generation with £26m of positive Underlying Operating Cash Flow; significantly above the previous two years
- Full year dividend of 10.0p (2022: 17.4p), cover lowered to 1.1x reflecting confidence in medium-term prospects, strong balance sheet and cash proceeds from property sales
- Investing for the future: 12 new trade counters and a further 11 refurbished; £6m capex on cutting tables, sortation units and other equipment in Regional Distribution to support customer proposition; new Headlam brand website

FLOORING MARKET BACKDROP

Market drivers		Impact on market in 2023	2023 commentary
Consumer confidence			• Consumer confidence in early 2023 was the lowest it has been since records began and ended the year firmly in negative territory • Real pay growth was negative all through 2022 and H1 2023
Housing transactions			• Residential property transactions declined 20% in 2023; with volume the lowest it has been since the Global Financial Crisis • There were also 12% fewer new homes completed in 2023 than in the previous year and new home registrations (the process by which a developer registers their intent to build a new home) declined 44% to the lowest level since 2009
Consumer spending on home improvements			• Consumer spending on home improvements & DIY was one of the worst performing categories of spend during 2023 with high single-digit decline during most of the year, particularly the latter months • RMI spend down 11%

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Sources:
1) Consumer confidence: GfK consumer confidence index
2) Real pay: www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/averageweeklyearningsingreatbritain/latest
3) Housing transactions: www.gov.uk/government/statistics/monthly-property-transactions-completed-in-the-uk-with-value-40000-or-above
4) New home registrations: NHBC annual report 2023
5) Consumer spending on home improvements: Barclays consumer spending report
6) RMI (repair, maintenance and improvement) spend: Construction Products Association

FY 2023 FINANCIAL PERFORMANCE

FINANCIAL SUMMARY

	2023	2022	% change
Revenue	£656.5m	£663.6m	-1.1%
Gross margin	31.7%	33.1%	-140bps
Underlying Operating Profit	£16.1m	£39.2m	-58.9%
Underlying Profit Before Tax	£11.0m	£37.1m	-70.4%
Underlying Basic Earnings Per Share	11.0p	35.5p	-69.0%
Underlying Operating Cash Flow	£26.0m	£12.8m	+103.1%
Ordinary dividend per share	10.0p	17.4p	-42.5%
Net (debt)/funds pre lease liabilities	£(29.6)m	£1.8m	
Leverage	1.3x	N/A	

Notes:

- Underlying is before non-underlying items, which includes: amortisation of acquired intangibles and other acquisition-related costs; impairment of intangibles, property, plant and equipment and right-of-use assets; insurance proceeds (following fire); profit on sale of property, plant and equipment; and business restructuring and change-related costs.
- Leverage = Net Debt excluding leases as a ratio of EBITDA (pre-IFRS 16 basis)

- Group revenue -1.1%; UK revenue flat, with strategic growth initiatives offsetting the market impact on Regional Distribution
- 2023 margin returned to the pre-2021 average of 31% to 32%; 2022 margin temporarily elevated by the proliferation of prices increases due to the unprecedented inflationary environment
- Profit lower due to macro and industry headwinds of lower residential volumes and high operating cost inflation, combined with return to pre-2021 levels of margin %
- Good operating cash generation with Underlying Operating Cash Flow up over 100% to £26.0m
- Net Debt excluding lease liabilities of £29.6m increased by £31.4m from 31 December 2022 after investment in the business for long-term growth (£18.2m capex and £6.1m acquisitions) and £17.4m shareholder returns
- Final dividend of 6.0p, taking full year dividend to 10.0p

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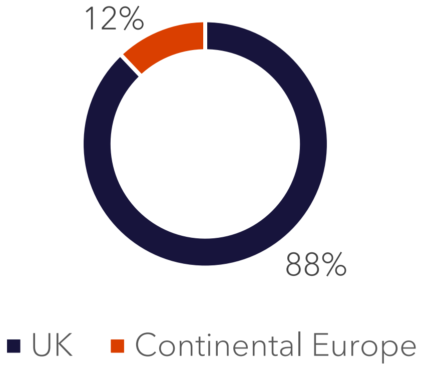
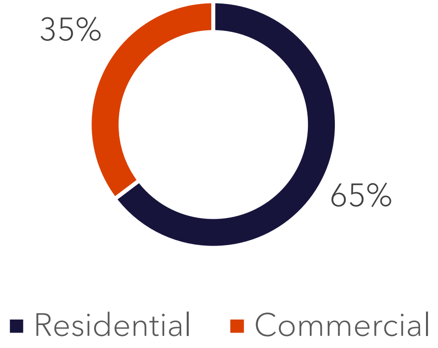
REVENUE

	2023 £m	2022 £m	Year-on-year %
Larger Customers	83.3	66.3	25.6%
Trade Counters	97.1	89.5	8.5%
Regional Distribution	370.8	398.9	(7.0)%
Other	26.1	23.1	13.0%
UK	577.3	577.8	(0.1)%
Continental Europe	79.2	85.8	(7.7)%
Group	656.5	663.6	(1.1)%

	2023 £m	2022 £m	Year-on-year %
Residential	424.7	435.3	(2.4)%
Commercial	231.8	228.3	1.5%
Group	656.5	663.6	(1.1)%





- Strong growth in strategic initiatives of Larger Customers and Trade Counters
- Larger Customer revenue uplift reflected growth in existing customers combined with new customer wins; increasingly diversified revenue mix includes multiple retailers, builders' merchants, buying groups and a national housebuilder
- Trade Counter investments performing in line with business case despite market headwinds; 12 new and 11 refurbished in the year, taking total to 67
- Regional Distribution impacted by weak residential volumes
- Good growth in ceramics specification businesses (shown as "other" in the table)
- Continental Europe also impacted by weak market, particularly in Netherlands

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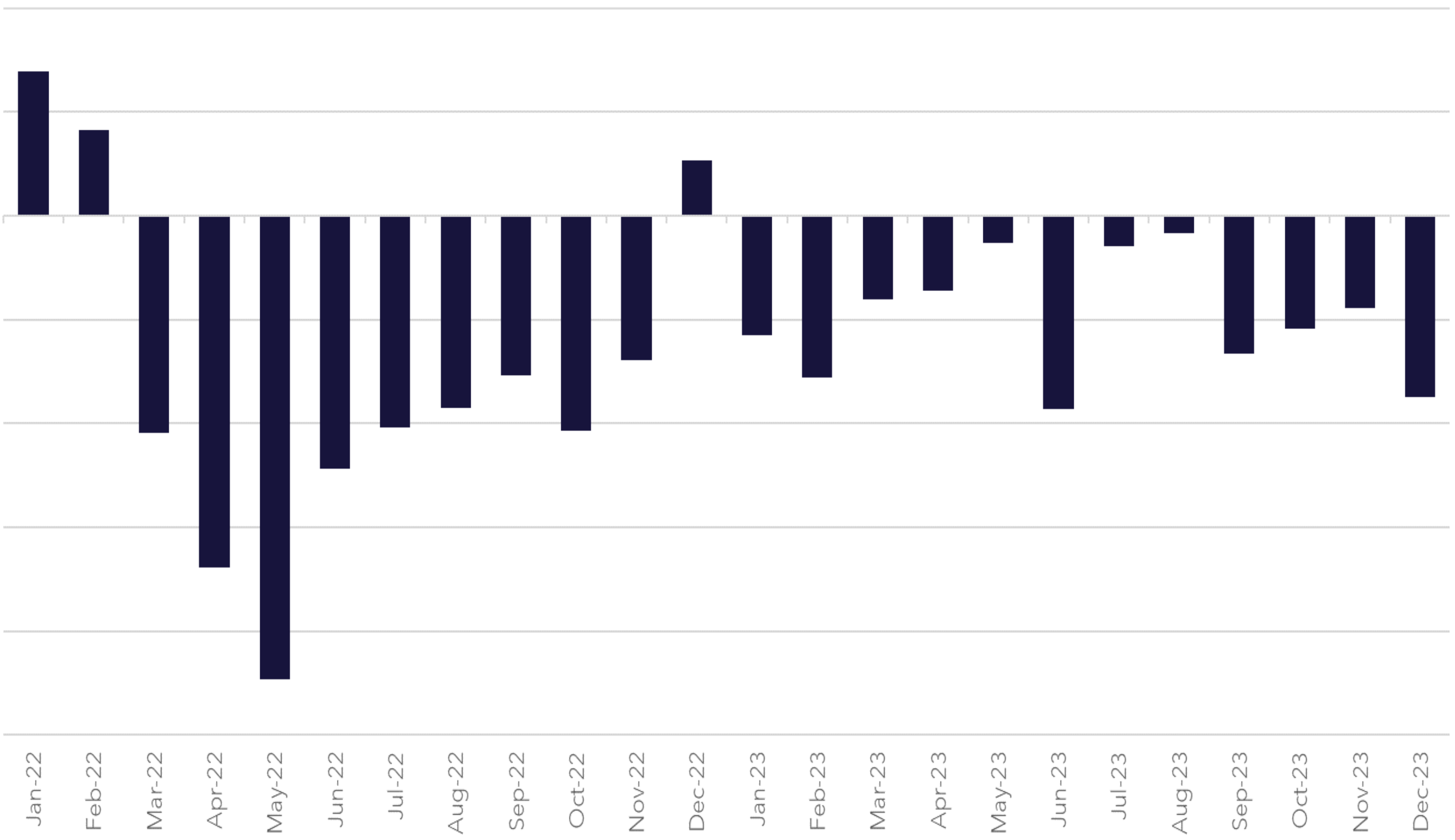
UK DISTRIBUTION VOLUMES

This chart shows the year-on-year volume growth/decline in the UK distribution business. It is on a like-for-like basis and therefore excludes Melrose Interiors



- Negative volumes throughout the year, in line with the market
- Improvement through H1 and into the summer
- Deterioration in flooring market observed from September; mirrored in home improvement consumer spending data

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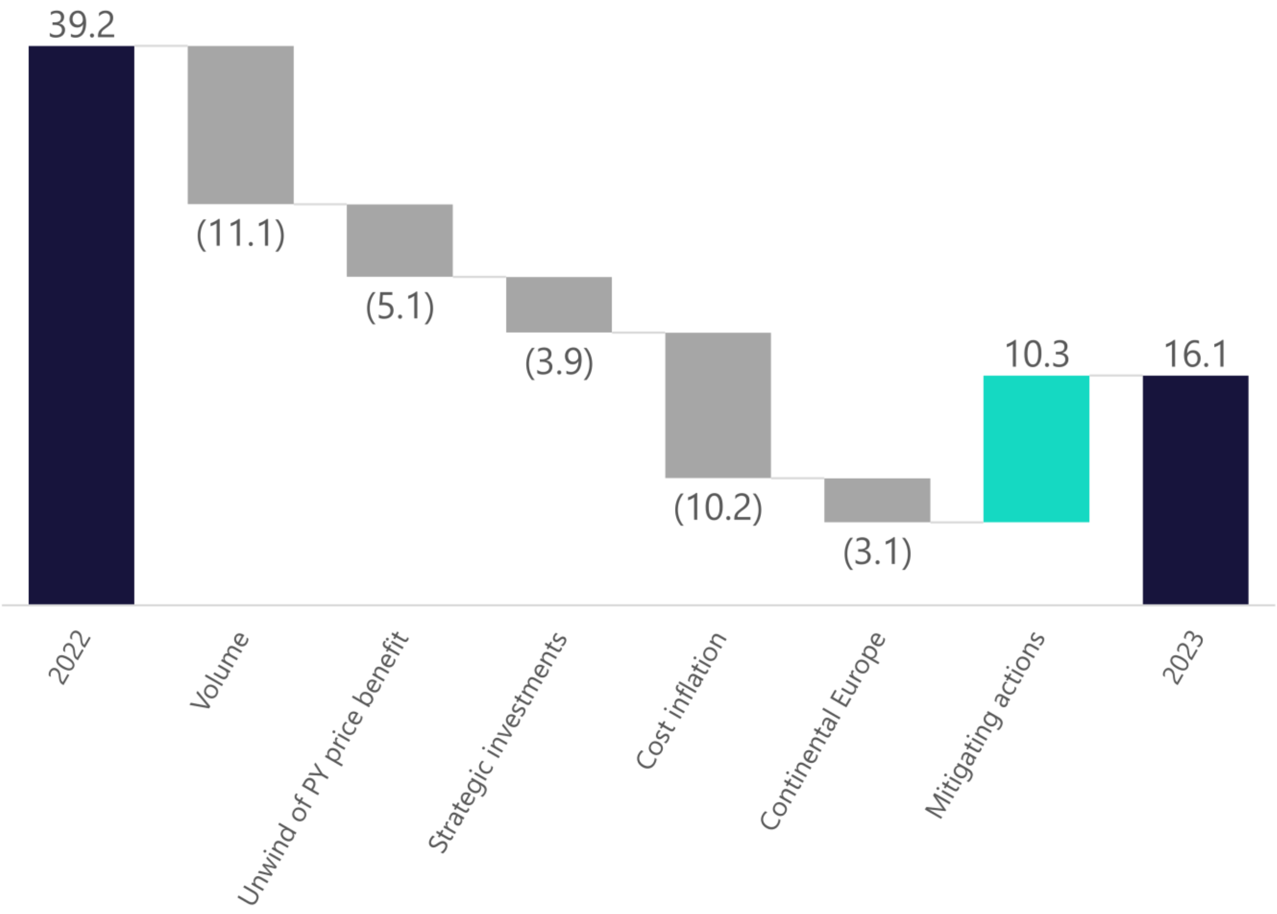
INCOME STATEMENT

	2023 £m	% of revenue	2022 £m	% of revenue
Revenue	656.5	100.0%	663.6	100.0%
Cost of sales	(448.7)	(68.3)%	(444.1)	(66.9)%
Gross profit	**207.8**	**31.7%**	**219.5**	**33.1%**
Distribution costs	(131.3)	(20.0)%	(129.5)	(19.5)%
Administrative expenses	(60.8)	(9.3)%	(51.3)	(7.7)%
Other operating income	0.4	0.1%	0.5	0.1%
Underlying Operating Profit	**16.1**	**2.5%**	**39.2**	**5.9%**
Net finance costs	(5.1)	(0.8)%	(2.1)	(0.3)%
Underlying Profit Before Tax	**11.0**	**1.7%**	**37.1**	**5.6%**
Non-underlying items	(3.9)	(0.6)%	4.7	0.7%
Statutory profit before tax	**7.1**	**1.1%**	**41.8**	**6.3%**
Basic earnings per share	9.6p		40.1p	
Underlying Basic Earnings Per Share	11.0p		35.5p	
Interim dividend	4.0p		6.2p	
Final dividend	6.0p		11.2p	

- Group revenue -1.1%; UK revenue flat, with strategic growth initiatives offsetting the market impact on Regional Distribution
- 2023 margin returned to the pre-2021 average of 31% to 32%; 2022 margin temporarily elevated by the proliferation of prices increases due to the unprecedented inflationary environment
- Operating costs* increased by 3.8% on a like-for-like basis (excluding acquisitions) with elevated inflationary pressure partially offset by mitigating actions
- Operating profit of £16.1m is a reduction of £23.1m – see separate breakdown
- Increased net finance costs due to higher average borrowings and rate increases
- Full year dividend of 10.0p representing 1.1x cover

* Distribution costs and administrative expenses combined, excluding other operating income

UNDERLYING OPERATING PROFIT



- UK volumes 5% lower than previous year (net of growth from Larger Customers and Trade Counters), driving £11.1m profit impact
- Unwind of prior year manufacturer price increases had a £5.1m adverse impact
- £3.9m profit impact from strategic investments to support future revenue growth
- Cost inflation of £10.2m more than double compared to a "normal" year; principally driven by people and energy
- Market weakness in Continental Europe reduced profit by £3.1m
- Mitigating actions provided £10.3m of benefit

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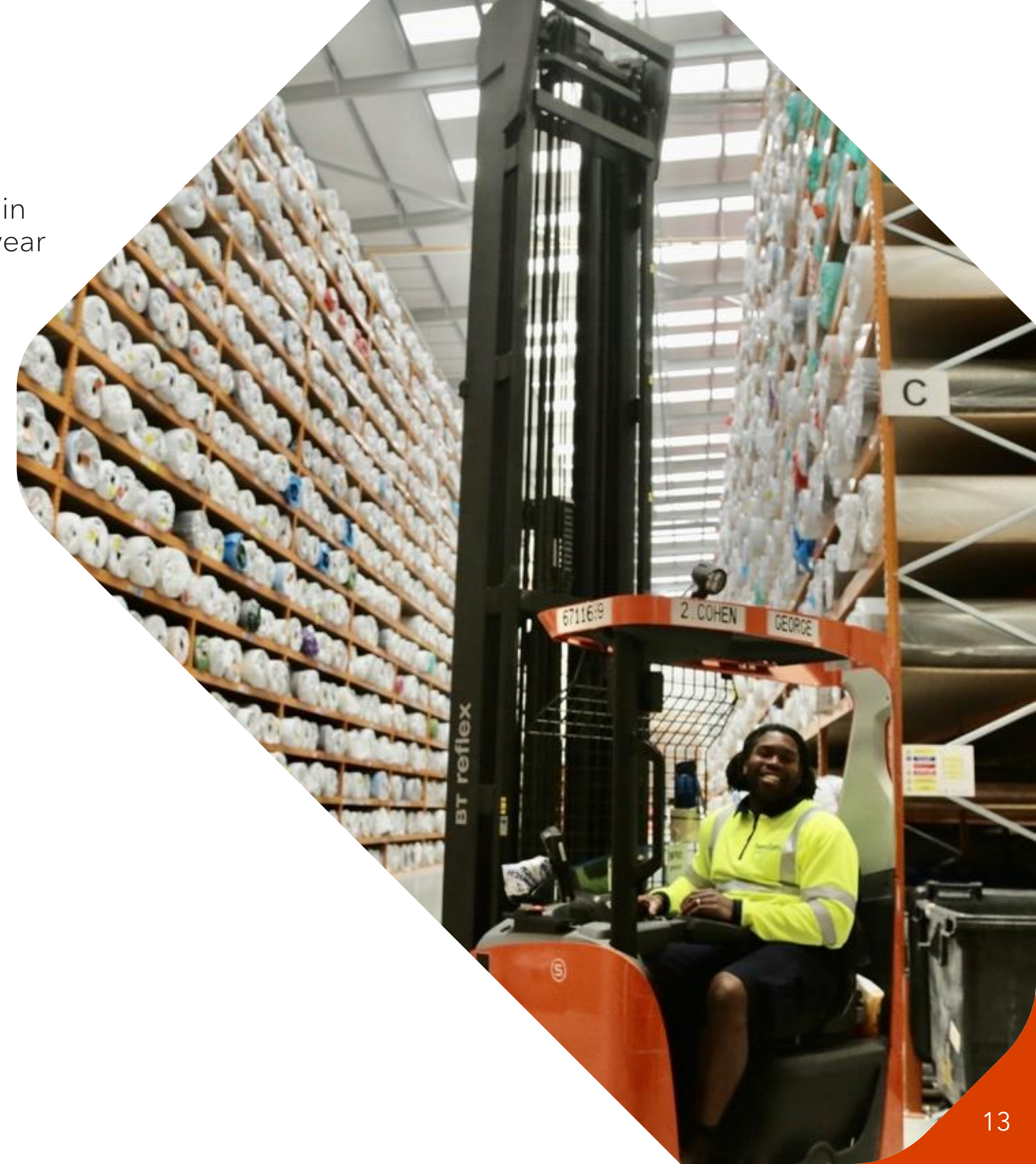
MITIGATING ACTIONS

- Ongoing efficiency initiatives supplemented by mitigating actions in response to market conditions provided £10.3m of benefit in the year

- Volume / margin actions included:
  - Volume-driving promotional activity
  - Targeted price increases
  - COGS reductions from suppliers

- Cost actions included:
  - Flexing operational headcount to reflect lower volumes
  - Transport centralisation and dynamic route planning
  - Renegotiation of fuel contracts
  - Reduction in bad debt provision, partially reflecting improved receivables profile
  - Other cost savings, including lower bonus accruals



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NON-UNDERLYING ITEMS

	2023 Cash £m	2023 Non-cash £m	2023 Total £m	2022 Total £m
Amortisation of acquired intangibles and other acquisition-related costs	(0.5)	(1.8)	(2.3)	(1.5)
Insurance proceeds (following fire)	8.6	-	8.6	6.2
Property disposal profit	1.8	(0.7)	1.1	-
Business restructuring and change-related costs	(3.4)	(7.9)	(11.3)	-
Non-underlying income/(expense) before tax	6.5	(10.4)	(3.9)	4.7

- Higher amortisation of acquired intangibles and other acquisition-related costs due to acquisition of three businesses in the year
- £8.6m income, all received in cash, in respect of settlement of Kidderminster insurance claim
- £1.1m profit on disposal of Kidderminster land
- £11.3m of business restructuring and change-related costs of which £3.4m was a cash cost and related to restructuring, vehicle lease terminations and consultancy costs. £7.9m was non-cash and comprised:
  - £5.6m costs associated with the decision to replace the ERP
  - £2.3m provisions in respect of network optimisation, principally the decision to consolidate the Stockport distribution centre and replace with a cross-dock facility

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CASH FLOW

	2023 £m	2022 £m
Underlying EBITDA	36.7	57.9
Change in inventories	10.0	(8.3)
Change in receivables	2.7	(3.5)
Change in payables	(24.0)	(34.2)
Other	0.6	0.9
Underlying Operating Cash Flow	**26.0**	**12.8**
Interest and tax	(7.0)	(6.4)
Acquisition of subsidiary, net of cash acquired	(6.1)	-
Capital investment	(18.2)	(13.8)
Lease payments	(15.1)	(14.0)
Dividends and acquiring own shares	(17.4)	(37.1)
Property disposal and insurance settlement	10.4	-
Non-underlying	(3.9)	6.2
Other	-	0.2
Net cash flow before movement in borrowings	**(31.3)**	**(52.1)**
Movement in borrowings	49.7	(7.3)
Net cash flow	**18.4**	**(59.4)**

- Strong operating cash generation with Underlying Operating Cash Flow of £26.0m, a year-on-year increase of £13.2m
- Inventories and receivables lower year-on-year, generating cash inflow
- Payables down £24.0m, generating cash outflow; partly due to lower inventories and partly due to timing of supplier payments; expected to unwind over time
- Three small acquisitions in the year totaling £6.1m
- Capital investment of £18.2m principally comprising £5.7m trade counters, £2.5m solar panels and £5.6m of cutting tables, sortation units and other warehouse equipment
- £17.4m of shareholder returns: £12.2m ordinary dividends and £5.2m share buy backs (completed March 2023)
- £10.4m of cash inflow from Kidderminster insurance settlement and sale of land
- £3.9m of non-underlying cash outflow principally comprises acquisition-related spend and restructuring and change-related costs

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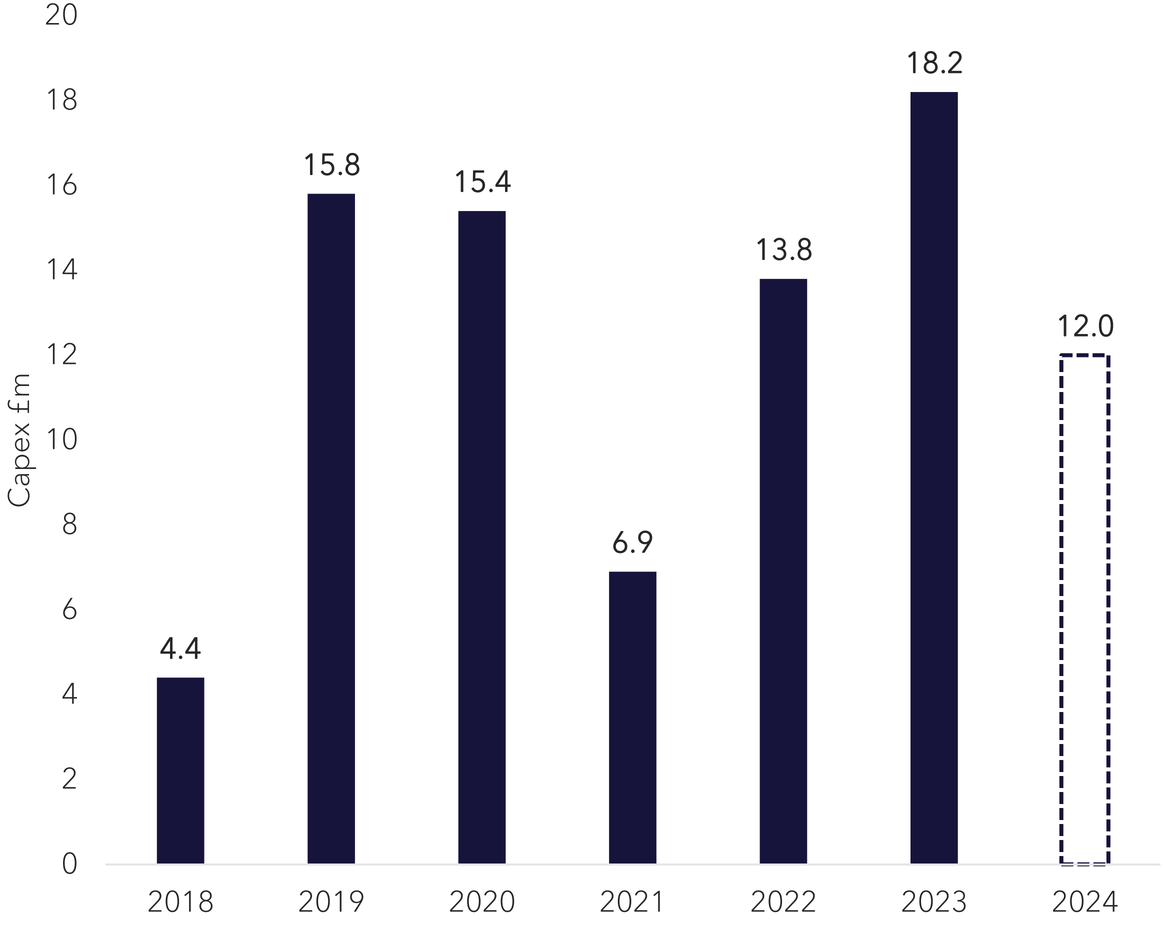
CAPITAL EXPENDITURE



Note: 2019 and 2020 capital expenditure included the Ipswich distribution centre, without which the capital expenditure would have been similar to 2018 levels

£18.2m capital expenditure in 2023 included:

£6.3m in cutting tables, sortation units and other warehouse and transport equipment


£5.7m in new and refurbished trade counters

£2.5m in solar panels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BALANCE SHEET

	December 2023 £m	December 2022 £m
Property, plant and equipment	127.6	119.9
Intangibles	19.4	17.8
Inventories	131.5	139.8
Trade and other receivables	117.1	119.1
Cash	21.1	2.1
Trade and other payables	(129.1)	(153.2)
Borrowings	(50.7)	(0.3)
Other assets and liabilities	(16.5)	(20.4)
Net Assets	**220.4**	**224.8**
Share capital and premium	57.8	57.8
Other reserves	(15.5)	(15.8)
Retained earnings	178.1	182.8
Total Equity	**220.4**	**224.8**
Net (debt)/funds pre lease liabilities	(29.6)	1.8
Leverage	1.3x	N/A

- Strong balance sheet position underpinned by freehold property portfolio (valued at £148.8m in January 2023) and inventory (£131.5m at December 2023)
- Significant liquidity headroom: cash and undrawn banking facilities totaled £71.0m at December 2023
- Net Debt excluding leases of £29.6m at the end of December 2023 which represented Leverage of 1.3x

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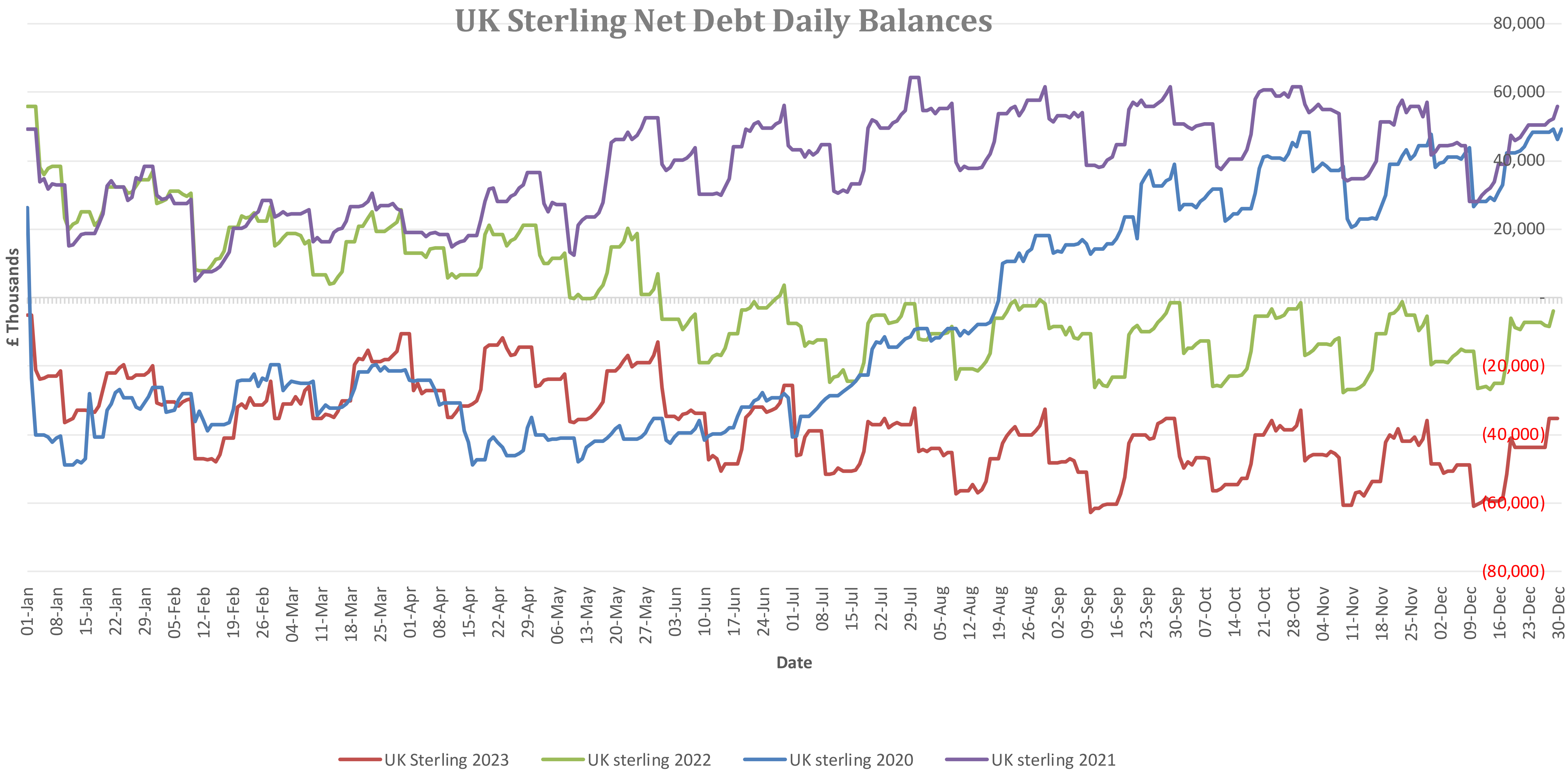
DAILY NET DEBT



STRATEGIC & OPERATIONAL UPDATE

MARKET OPPORTUNITY

c.£3bn UK market
Two-thirds residential, one-third commercial

Traditional Retailers	Tradespeople & Fitters	Progressive Retailers	Contractors	Multiple Retailers	Larger Housebuilders	Online (pure online retailers)

HIGH — Headlam weighting — LOW

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The c.£3bn UK market size is an estimate from LEK Consulting and is calculated at distributors' selling prices and is inclusive of sales direct from manufacturers. The estimate was made in 2020. Whilst volumes in the market have declined significantly since then, price inflation has meant that, in value terms, the market size is expected to be broadly unchanged

OUR STRATEGY ON A PAGE

Maximising sales through great service, solutions, pricing and range

Excel with existing customers

- Secure and increase share with independent retailers
- Tailored fitter and contractor propositions
- Expand Own Product Brands

Buying and products

- Better range curation and pricing, buying and supplier engagement
- Product development and innovation

Developing new opportunities for future growth

Expand customer base

- Expand share through tailored propositions for larger customers, contractors and housebuilders
- Deliver and expand the trade counter concept

Routes to market

- Online brand awareness and engagement
- Digital/ecommerce offering

New Opportunities

- Explore M&A opportunities in adjacent products and/or new market segments

Improving our operational capabilities and effectiveness

Operational excellence

- Optimise the branch network and transport
- Develop sales force effectiveness and efficiency
- Invest in sites and equipment to support growth

Expand existing capabilities

- Consumer and market insights
- Build core capabilities in digital, data and tech

Leading on sustainability and environmental responsibility

Environmental

- Reduce greenhouse gas emissions across building footprint and fleet
- Reduce waste, and promote sustainable products
- Work with the industry to improve recycling and end-of-life treatment of sold products.

Business with integrity

- Reliable business processes, systems, and controls in place
- Ethical business conduct in all areas, both internally and oversight of supply chain
- Manage risk, and ensure the continuity of the business

Making Headlam a great place to work

People

- Provide safe place to work
- Build skills to succeed now and in the future
- Support wellbeing
- Fair and competitive reward and benefits
- Support local community programmes

Culture

- Build inclusive and collaborative performance culture
- Recognise and celebrate success
- Open and frequent communication

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BROADENING BUSINESS BASE

- Nationwide coverage
- Next-day delivery
- Established portfolio of own product brands, with opportunity to grow

- Convenient, one-stop shop for all customers who supply / fit flooring as part of offering
- Collection service (from any site); knowledgeable advice; exclusive products
- 67 sites at the end of 2023; targeting 100 by end of 2025; filling in areas where Headlam has no physical presence

- Estimated £1bn market; Headlam revenue was c.£60m in 2021, increased to £83m in 2023
- Opportunity to grow business with broad spectrum of new and existing customers
- Dedicated account management team and palletised distribution centre
- Able to offer compelling, comprehensive service, tailored to specific needs
- Delivery and collection options

Digital & Ecommerce development

REGIONAL DISTRIBUTION

- 2023 revenue -7.0% to £371m
- Impacted by weakness in residential market; commercial revenue more robust
- Aggressive pricing in market but gross margin well-controlled
- Revenue from Own Product Brands up 2.7%
- Over £9m capital investment in upgrading the network to increase the level of service to all customers, whilst also creating operational efficiencies
    - £5.6m cutting tables, sortation units and other warehouse equipment
    - £2.5m solar panels
    - £0.7m telematics
- Acquisition of PD Patterns increases in-house capacity for sampling production

lifestyle FLOORS
Everyroom
manx Tomkinson
KINGSMEAD
Kersaint Cobb
gaskell
CLARENDON
CRUCIAL TRADING
JHS Joseph Hamilton Seaton
LX Hausys
florprotec®
TELENZO

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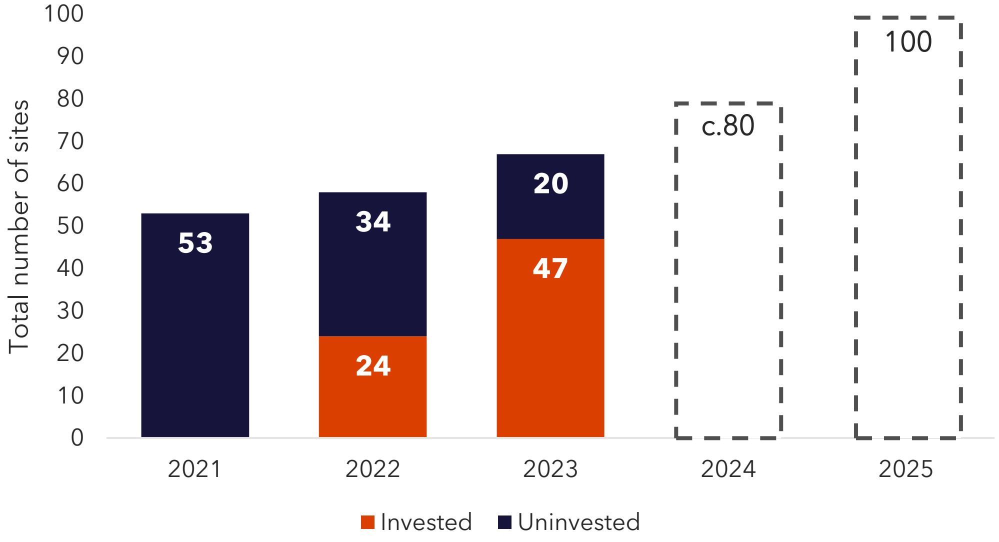
TRADE COUNTERS

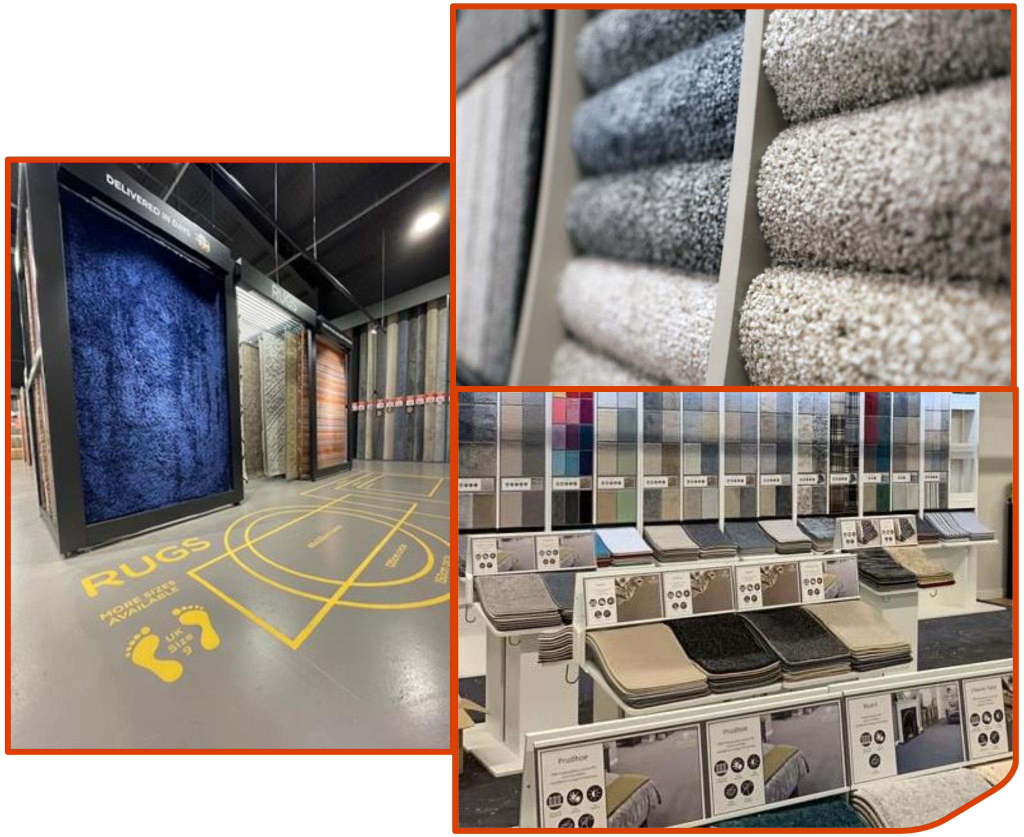
- 2023 revenue +8.5% to £97m
- Targeting £200m revenue over the medium-term
- 67 sites at end 2023; targeting 100 by end 2025
- 23 additional invested* sites in 2023, including 12 new
- Invested sites collectively performing in line with business case
- 2,400 new customer accounts opened in 2023
- Lower capital investment per new site due to building of expertise



*Opened, relocated or refitted

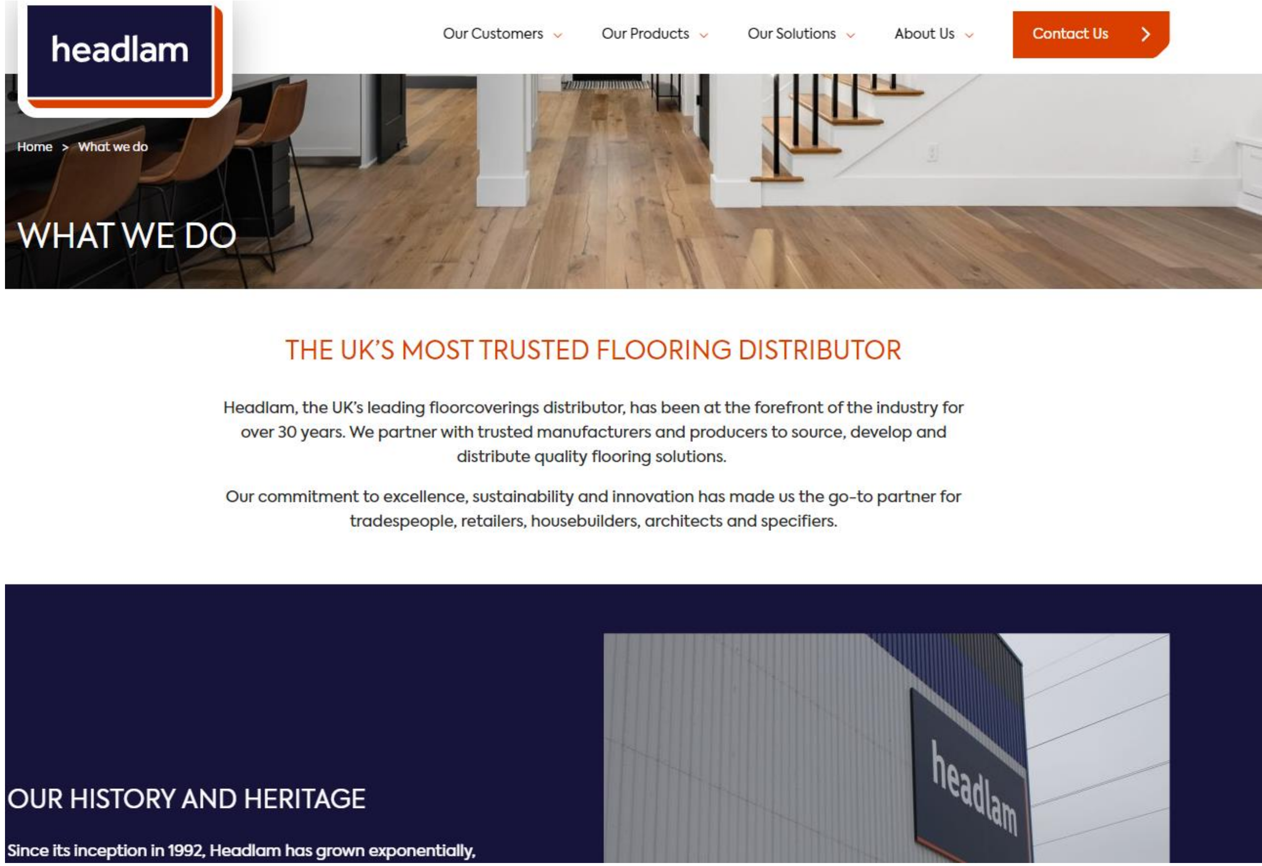
LARGER CUSTOMERS

- 2023 revenue +25.6% to £83m
- Targeting £200m revenue over the medium-term
- Growth achieved through increasing share of existing customers and winning new customers
- Continue to enhance the bespoke and value-add service
- Enhancements to dedicated team
- Pilots with builders' merchants and retailers in progress, with potential to scale up
- Revenue from the Group's first national housebuilder customer is scaling up



DIGITAL & IT

- 34% of revenue through digital channels
- Headlam brand website (www.headlamgroup.com) launched
- New B2B2C websites launched for two brands
- Decision taken to replace ERP
    - Supports digital improvements and provides a more agile and flexible IT platform to support future growth
    - Three-year programme
    - Modular approach to facilitate smooth transition
    - No incremental cash cost to previous IT capex expectations



SUSTAINABILITY AND ESG

Environment

- Completion of dynamic planning and roll out of telematics
- Solar panel roll out
- Continued transition of the non-commercial fleet to hybrid and electric
- 4 sustainable product ranges launched across 3 of our own product brands
- Green energy and recycling colleague workshops

Social

- Embedding a safety culture
- Developed training; leadership, induction and sales
- Created an inclusion and wellbeing strategy, improved mental health support
- Listening to our colleagues; engagement and employee forum
- Community engagement with support from Business In the Community

Efficient & effective organisation

- Supplier assessment and auditing
- Stakeholder engagement; industry body participation and supplier conference
- Refreshed policies and processes
- Robust controls; ISO14001, ISO45001, SEDEX, FORS, equal pay audit, new HR and payroll system
- Maintained ESG rating agency scores and benchmarked above sector in independent review

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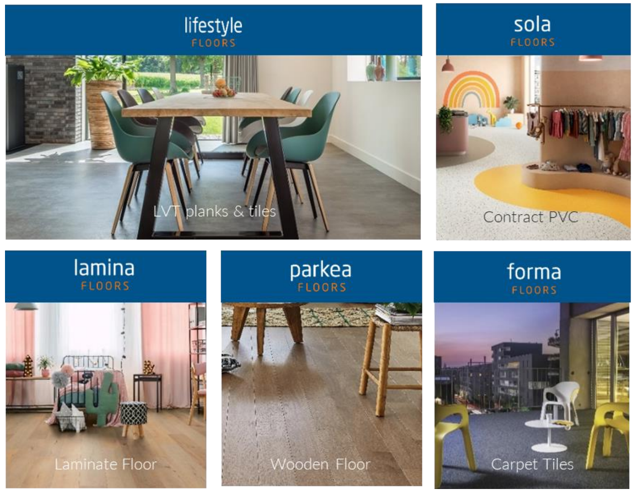
CONTINENTAL EUROPE



LMS (France)

- 19 trade counter sites and 3 distribution centres
- New Managing Director
- Return to profitability
- Successful growth of own brand ranges; now over 40% of revenue

Headlam BV (Netherlands)

- Located in east of the country; residential focus
- Established curtains and blinds offer, to complement flooring
- System development to move onto a common IT platform with Dersimo

Dersimo (Netherlands)

- Located in west of the country; commercial focus
- Flooring focus, with addition of curtains and blinds more recently through agent agreements and the acquisition of Het Stoffen Gilde
- Opportunity to expand own brand ranges

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OUTLOOK & SUMMARY

OUTLOOK – THREE COMPONENTS

Short-term market weakness; recovery delayed

Material revenue and profit uplift opportunity over medium term as volumes improve

NOW

- Residential market weakness has continued into 2024 with negative volumes in the first few weeks, despite continued growth in Larger Customers and Trade Counters
- Group revenue in February 2024 was 6% lower than 2023, albeit ahead of January 2024

THIS YEAR

- External data on housing transactions and consumer spending on home improvements, and latest projections for RMI and flooring spend in 2024, point to a delayed market recovery

MEDIUM TERM

- Medium-term outlook remains strong. In 2023 the flooring market volume was around 20% lower than 2019; expected to recover over the coming years
- Material revenue and profit uplift opportunity over medium-term from market recovery and maturity of strategic initiatives
- Cash generation boosted by profit uplift and lower capex requirements

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ILLUSTRATIVE LONG-TERM REVENUE

2023	
Larger Customers	£83m
Trade Counters	£97m
Regional Distribution	£371m
Europe & Other	£105m
Group revenue	**£656m**

Illustrative long-term view	
Larger Customers	£200m
Trade Counters	£200m
Regional Distribution	£500m to £600m
Europe & Other	
Group revenue	**£900m to £1bn**

SUMMARY

Resilient performance in very challenging market conditions

Delivering on strategic initiatives; broadening the base

Continued short-term market weakness

Well positioned, with strong foundations and good cash generation

Meaningful revenue and profit growth expected in medium term

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THE LEADING, MOST TRUSTED EXPERTS IN FLOORING

Q&A

FY 2024 FINANCIAL CALENDAR

23rd May 2024	Trading update and AGM
23rd July 2024	Pre-close trading update
3rd September 2024	Half year results
Mid January 2025	Pre-close trading update
Early March 2025	Full year results

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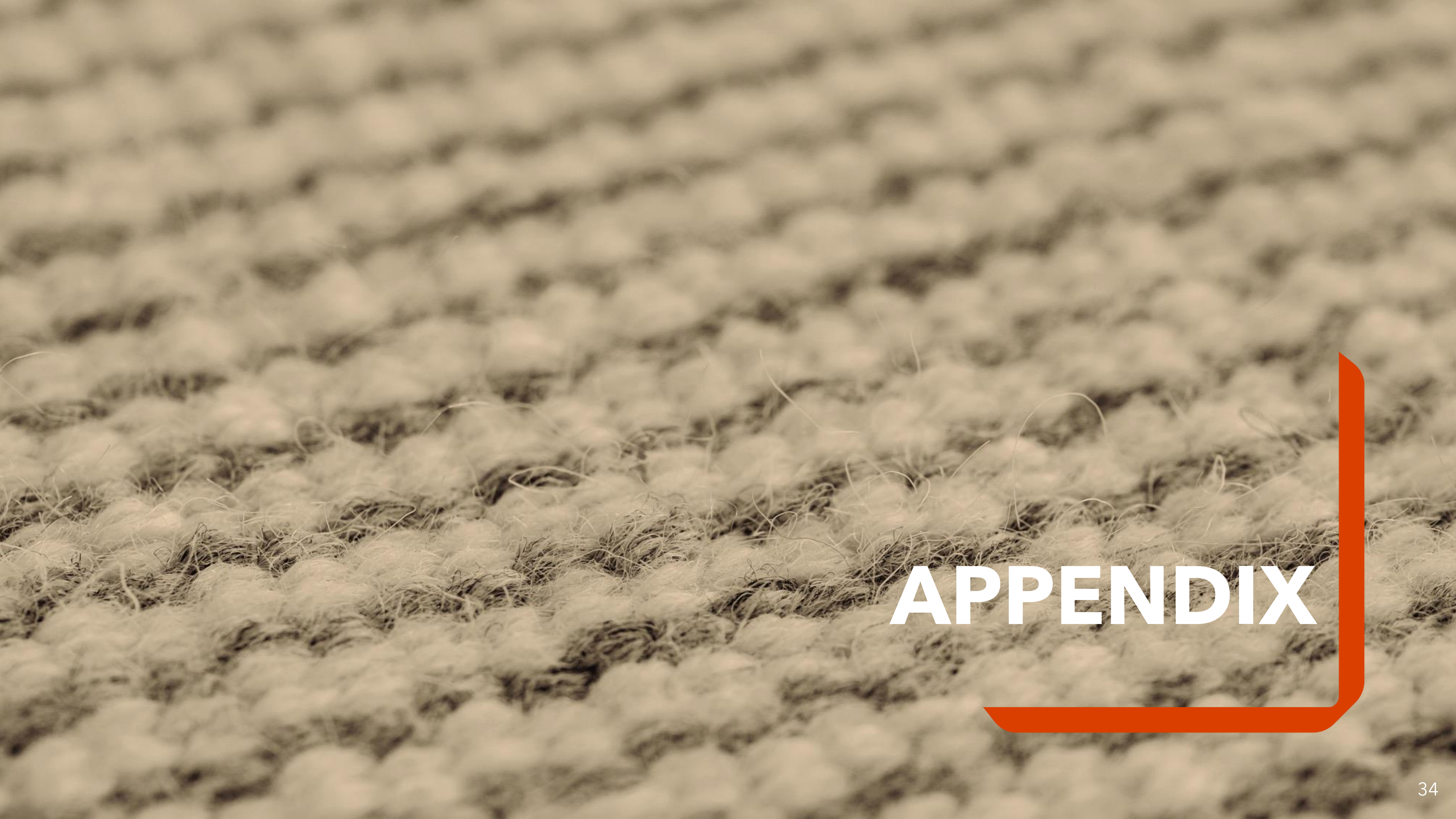

APPENDIX

REVENUE

	£m	%	£m	%
2022 Revenue:				
UK	577.8	87.1		
Continental Europe	85.8	12.9		
			663.6	100.0
UK incremental items:				
Like-for-like	(11.2)	(1.9)		
Change in working days	2.3	0.4		
Acquisitions	8.4	1.4		
			(0.5)	(0.1)
Continental Europe incremental items:				
Like-for-like	(7.7)	(9.0)		
Change in working days	(0.7)	(0.8)		
Acquisitions	0.6	0.7		
Translation effect	1.2	1.4		
			(6.6)	(7.7)
Total movement			(7.1)	(1.1)
2023 Revenue:				
UK	577.3	87.9		
Continental Europe	79.2	12.1		

- 88% of revenue from UK in 2023
- UK revenue flat year-on-year, including £8.4m of revenue from acquisitions
- Continental Europe revenue declined 7.7%; Dutch market particularly weak during 2023

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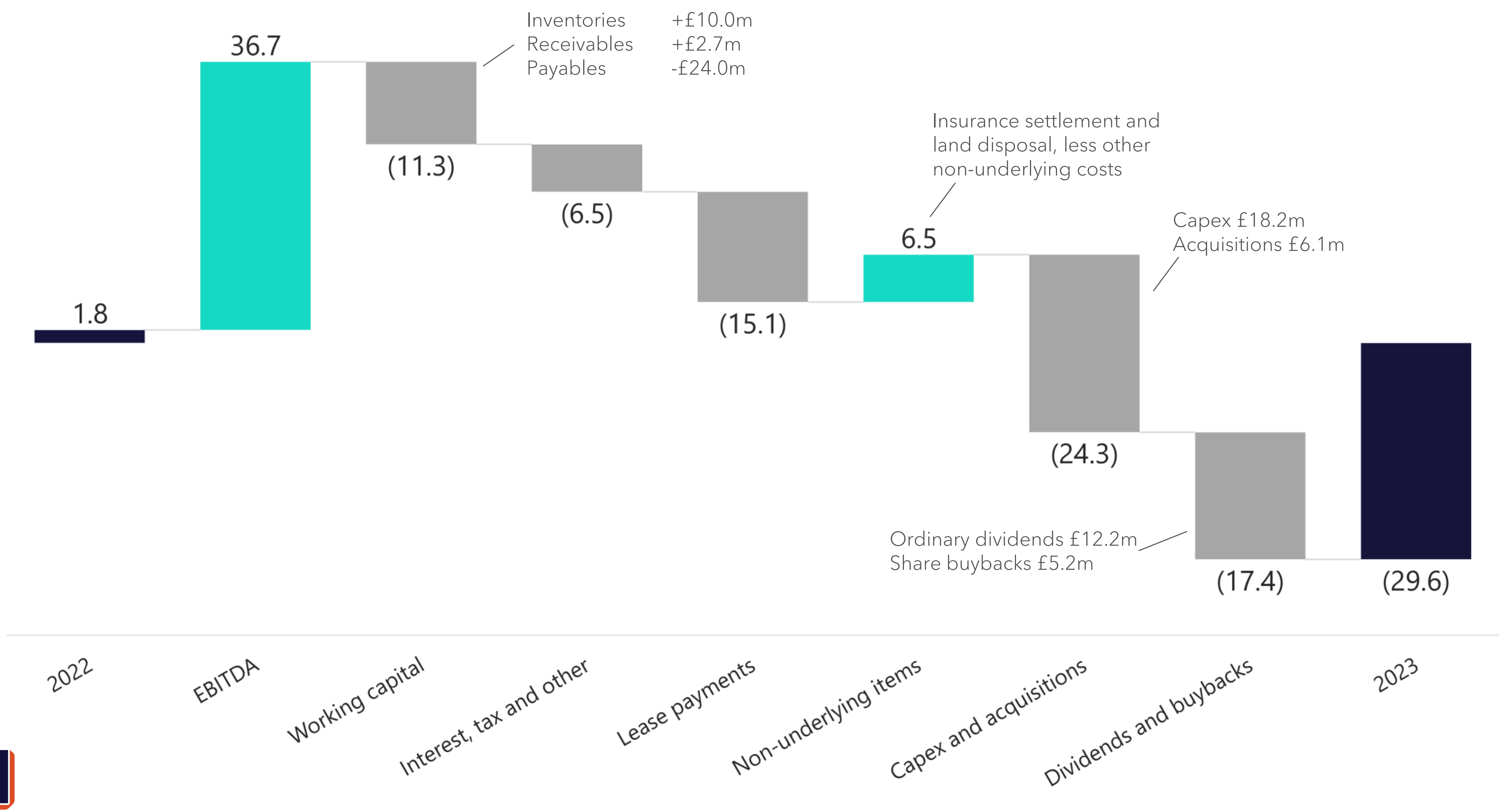
MOVEMENT IN NET DEBT

The chart below shows the movement from the net funds of £1.8m at the end of 2022 to the net debt of £29.6m at the end of 2023



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TRADE COUNTERS

Typical new trade counter site:

- Town / urban conurbation with no existing physical presence
- Area with existing trade footfall, located alongside complementary trade businesses
- c.5,000 sq ft property (leased)
- Total capital investment of c.£250k
- Breakeven by end of year 2
- Sales maturity in year 5
- Operating under well-recognised local business brand. Co-branded as Headlam

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CAPITAL ALLOCATION

1	**Maintain a strong balance sheet**	Long-term average Leverage target of 0.5 to 1.0x underpinned by freehold properties and net positive working capital
2	**Investment in the business**	To support sustainable long-term growth and to harness the opportunities to access a greater part of the flooring market through broadening the base of the business
3	**Ordinary dividend**	Long-term cover ratio of 2.0x; cover lowered during 2023 and 2024
4	**Acquisitions and/or return of surplus capital**	Equal prioritisation; selection determined by whichever the Board assesses would provide the best long-term value at the relevant time, taking into account factors such as the prevailing share price

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FY 2024 TECHNICAL GUIDANCE

- Underlying profit before tax to be significantly H2-weighted, reflecting the delayed market recovery as set out in the outlook summary
- Capital expenditure c.£12 million
- Underlying effective tax rate of c.26%
- Software development costs (in respect of new ERP) of c.£3m, to be accounted for as a non-underlying expense*

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* The ERP replacement is likely to take the form of cloud-based software-as-a-service modules. Under the accounting standards the development costs in respect of this are unlikely to qualify as capital expenditure and as such will need to be expensed. We expect to treat these as a non-underlying expense

RESIDENTIAL FLOORING MARKET OUTLOOK

Market drivers	Short-term impact	Medium-term impact	Commentary
Discretionary income and consumer confidence Households need available discretionary income and need to feel confident enough to invest in considered purchases **Housing transactions** People typically make cosmetic changes, such as flooring, within 6-9 months of moving home **Consumer spending on home improvements**	↓	↑	Short-term • Consumer confidence remains negative; major purchase index worsened in February 2024 • Consumer spending on home improvements and DIY in January 2024 declined by 8% • Residential property transactions in last three months of 2023 declined by 20% Medium-term • Consumer confidence, whilst still negative, is improving • Real pay in recent months has been in growth • Mortgage approvals have started to increase which, over time, should feed into improved housing transactions and then into home improvement spend

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