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FINAL RESULTS PRESENTATION

YEAR ENDED 31 DECEMBER 2017

MARCH 2018

COMPANY OVERVIEW

- **Europe's largest distributor of floorcoverings**:
  - Distribution channel between suppliers and customers of floorcoverings
  - Linking together a global manufacturing supply base and the most extensive customer base across the UK and Continental Europe
- **Suppliers:**
  - Global manufacturing supply base (16 primary countries)
  - Multiple product categories (c 22,000 product units)
  - Unparalleled route to market for their products
  - Allowing focus on economic manufacturing without having to replicate costly distribution channel
- **Customers:**
  - Most extensive customer base across the UK and Continental Europe (71,257 active customer accounts*)
  - Residential and commercial sectors (principally independent retailers and flooring contractors)
  - Broadest product offering
  - Providing excellent customer service and next day delivery
- **Grown significantly over 25 years via organic growth and acquisition, to comprise 63 businesses**:
  - 59 UK and 4 Continental Europe (France, Switzerland and the Netherlands)
  - Each operate under own trade brand and utilise individual sales team to increase market penetration
  - Relationship-driven and regionalised marketplace
  - Supported by and benefit from significant centralised and financial resources

** Prior to the Dersimo acquisition*

25 YEARS

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MARKET-LEADING CORE BUSINESS & BUSINESS MODEL

- **Extensive network and dense geographical footprint:**
  - 67 million cubic feet of warehouse capacity
  - 64 trade counters / showrooms / specification centres
  - Multiple businesses and touch-points
- **Market-leading core business characterised by**:
  - High volume of small value orders into both residential and commercial sectors
  - Revenue split c 68% residential and 32% commercial
  - Core product range largely within low to middle-end in terms of price points
  - 5.5 million orders processed in 2017
  - £133 average order value in 2017
  - Predominately refurbishment / replacement one room at a time
- **A degree of resilience and robustness against market backdrop:**
  - More affordable purchase than other RMI expenditure
  - Not reliant on consumer credit or key seasonal discount sales periods
  - Demand tending to be inelastic to price increases due to relative infrequency of purchase
- **Strategy to focus on profitability and supplement market-leading core business through acquisition:**
  - Diversify and broaden overall position in the floorcoverings market
  - Complementary acquisitions
  - Expand into different market segments or more niche areas

INVESTMENT CASE

SIGNIFICANT BARRIERS TO ENTRY CREATED THROUGH YEARS OF INVESTMENT AND DEVELOPMENT OF OPERATIONAL EXPERTISE

1. MARKET LEADER

Market-leading position, significant scale, and longevity of operations

- Nearest competitors currently <1/6th of size in terms of revenue
- Significant barriers to entry

2. RELATIONSHIPS

Depth and breadth of supplier and customer relationships

- Typically, suppliers' largest UK customer, with purchasing economies of scale
- Supporting the growth and development of all participants, particularly independent retailers and flooring contractors

3. CURRENCY EXPOSURES

Management of transactional currency risk

- Buy in sterling from the majority of suppliers so supplier manages the currency risk
- Supplier price increases passed along chain and not absorbed by the business
- Negative aspects of currency deflation avoided by product re-engineering

4. DEGREE OF RESILIENCE

Resilient core business characterised by high volume small value orders

- More affordable purchase than other RMI expenditure
- £133 average order value in 2017
- Not reliant on consumer credit

5. DISTRIBUTION NETWORK

Extensive distribution network with value underpinned by a largely freehold asset portfolio

- Significant time and resources to replicate
- Dense geographical footprint underpinning customer service proposition
- Freehold portfolio enables flexible response to change

6. OPERATIONAL GEARING

Operational gearing from increasing revenue and leveraging of the business model

- 19.1% underlying drop-through rate as a % of incremental revenue in 2017
- Combination of increased gross margin and a more efficient overhead base creating improved operating margin

7. FOCUS ON MARGIN

Focus on margin enhancement and efficiencies to increase level of profitability

- A number of efficiency initiatives underway and to be implemented
- Gross and operating margin improvements of 50 and 30 basis points respectively in 2017

8. STRONG FINANCIALS

Strong cash flow and balance sheet

- Net funds of £35.3 million as at 31 December 2017
- Cash from operations of £54.5 million in 2017
- Strong operating cash generation at 109.8% of underlying EBITDA in 2017

9. DIVIDEND

Progressive dividend policy

- Ordinary dividend payments correlated to the increase in basic EPS, with total ordinary dividend payment of 24.8 pence in respect of 2017
- Additional policy of returning surplus cash to shareholders via special dividends when circumstances permit

10. GROWTH

Growing and broadening overall position in the industry

- Growing market-leading core business
- Supplementary growth and increased industry penetration through acquisition

2017 FINANCIAL HIGHLIGHTS

- Total revenue increased 2.0% to £707.8 million (2016: £693.6 million):
  - Despite weaker markets for the majority of H2 2017
- Like-for-like revenue* growth in the UK and Continental Europe of 0.5% and 4.2% respectively (2016: UK 4.2%; Continental Europe 3.1%):
  - Represented a positive performance against a strong 2016 comparator
- Gross margin improvement of 50 basis points to 31.1% (2016: 30.6%):
  - Achieved through a concerted focus on margin enhancement initiatives
- Underlying** profit before tax increased by 7.5% to £43.1 million (2016: £40.1 million)
- Profit before tax increased by 6.7% to £40.7 million (2016: £38.2 million)
- Basic earnings per share increased by 6.3% to 39.1 pence (2016: 36.8 pence)
- Total ordinary dividend in respect of 2017 increased by 10.0% to 24.80 pence (2016: 22.55 pence)
- Strong operating cash generation at 109.8% of underlying** EBITDA (2016: 94.2%)

**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*

***Before non-underlying items being intangibles amortisation relating to businesses acquired, acquisitions fees and non-recurring costs relating to personnel changes*

FINANCIAL TRACK RECORD (5 YEARS)

Revenue £million

£707.8m

+2.0% **(2016: £693.6m)**

Underlying* Operating Profit £million

£43.8m

+6.6% **(2016: £41.1m)**

Underlying* Profit before Tax £million

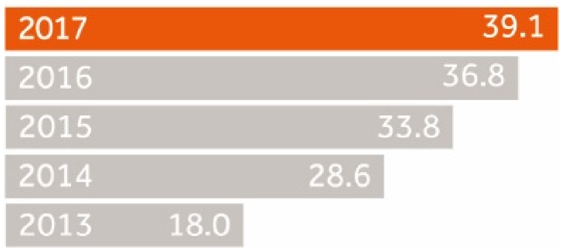
£43.1m

+7.5% **(2016: £40.1m)**

Basic Earnings Per Share pence

39.1p

+6.3% **(2016: 36.8p)**



Total Ordinary Dividends (declared and proposed in respect of 2017) pence

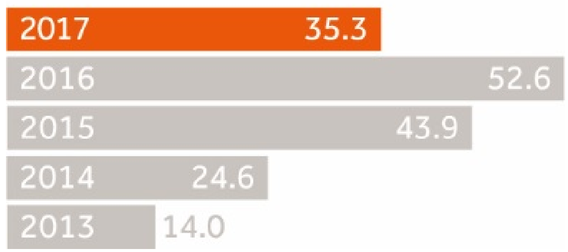
24.80p

+10.0% **(2016: 22.55p)**

Net Cash Position £million

£35.3m

-32.9% **(2016: £52.6m)**



** Before non-underlying items being intangibles amortisation relating to businesses acquired, acquisitions fees and non-recurring costs relating to personnel changes*

2017 OPERATIONAL HIGHLIGHTS

- Considerable new expertise added to the Board, Senior Management Team and at managerial level, both in UK and Continental Europe:
  - Tony Judge & Chris Payne, Executive Directors appointed to the Board
  - Health & Safety, HR, Communications, Company Secretary and Legal Counsel appointments
  - New Managing Director appointed at LMS, the Company's French business, Pascal Pinard with 30 years' industry experience

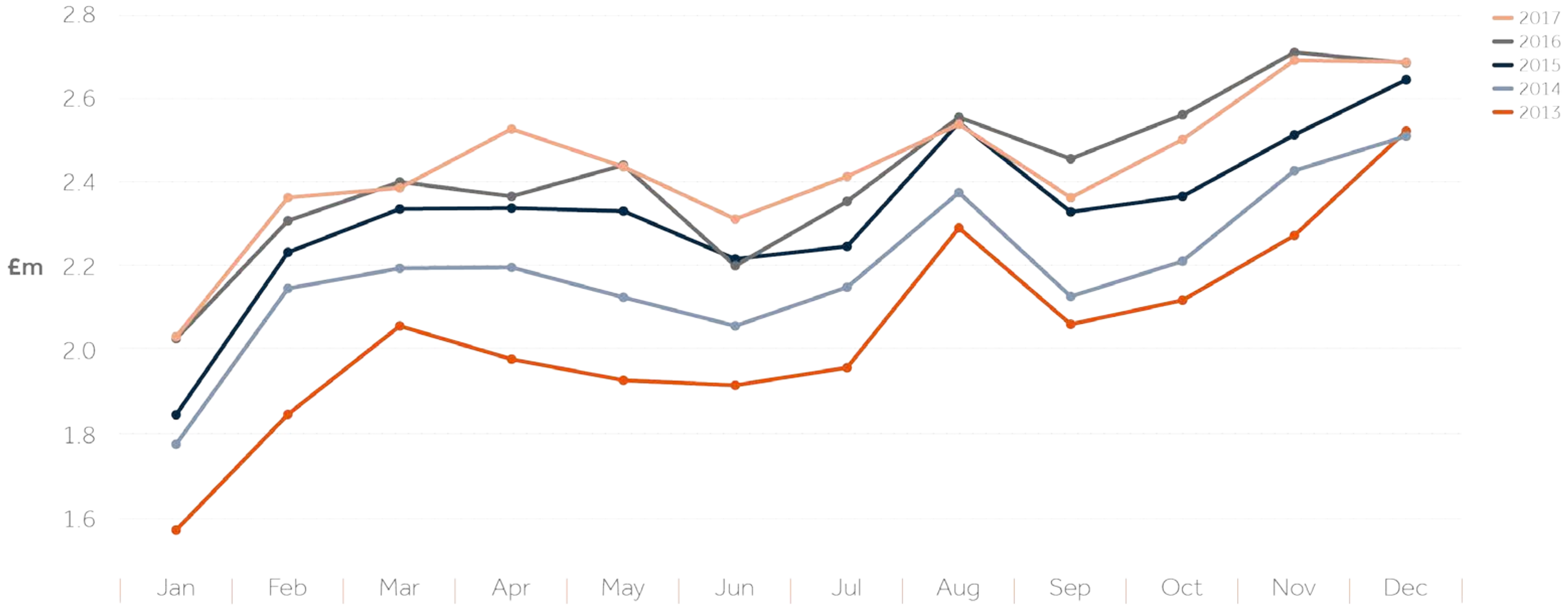
- 3 acquisitions completed during the year, most notably Domus which meaningfully diversifies and broadens the Company's overall position in the market:
  - Mitchell Carpets - Poole
  - McMillan Flooring – Edinburgh and Glasgow
  - Domus - London and Surrey

  Total consideration* £31.9 million

- Efficiency actions and initiatives implemented, with a more unitised approach across the Company's businesses:
  - Gross margin improvement of 50 basis points
  - Elimination of inconsistent pricing practices
  - Several trials underway for 2018

**Anticipated*

2017 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*

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2017 INCOME STATEMENT

	Underlying* 2017 £000	Non-underlying 2017 £000	Total 2017 £000	Underlying* 2016 £000	Non-underlying 2016 £000	Total 2016 £000
Revenue	707,764	–	707,764	693,572	-	693,572
Cost of sales	(487,683)	–	(487,683)	(481,068)	-	(481,068)
Gross profit	220,081	–	220,081	212,504	-	212,504
Distribution costs	(130,476)	–	(130,476)	(127,982)	-	(127,982)
Administrative expenses	(45,822)	(2,399)	(48,221)	(43,450)	(1,927)	(45,377)
Operating profit	43,783	(2,399)	41,384	41,072	(1,927)	39,145
Finance income	578	–	578	756	-	756
Finance expenses	(1,243)	–	(1,243)	(1,722)	-	(1,722)
Net finance costs	(665)	–	(665)	(966)	-	(966)
Profit before tax	43,118	(2,399)	40,719	40,106	(1,927)	38,179
Taxation	(7,976)	179	(7,797)	(7,601)	385	(7,216)
Profit for the year attributable to the equity shareholders	35,142	(2,220)	32,922	32,505	(1,542)	30,963
Earnings per share						
Basic	41.7p		39.1p	38.7p		36.8p
Diluted	41.5p		38.9p	38.5p		36.6p
Ordinary dividend per share						
Interim dividend proposed for the financial year			7.55p			6.70p
Final dividend proposed for the financial year			17.25p			15.85p
Special dividend proposed for the financial year			–			8.00p

All Group operations during the financial years were continuing operations.

**Underlying costs of £2.4 million related to acquisition related costs, personnel changes and accelerated amortization*

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2017 REVENUE MOVEMENT

	£000	%	£000	%
Revenue for the year ended 31 December 2016				
UK	602,104	86.8		
Continental Europe	91,468	13.2		
			693,572	100.0
Items contributing to growth during the 12-month period to 31 December 2017				
UK:				
Like-for-like* growth	3,043	0.5		
One less working day	(2,421)	(0.4)		
Acquisitions	4,508	0.8		
			5,130	0.9
Continental Europe:				
Like-for-like* growth	3,860	4.2		
Changes in working days	(617)	(0.7)		
Translation effect	5,819	–		
			9,062	9.9
Total movement			14,192	2.0
Revenue for the year ended 31 December 2017				
UK	607,234	85.8		
Continental Europe	100,530	14.2		
			707,764	100.0

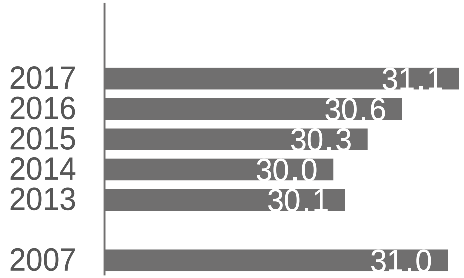
MARGIN IMPROVEMENT AND INITIATIVES

- Concerted focus on delivering margin enhancement throughout 2017
- Gross margin returned to historic level of 31% through implementing various efficiency initiatives and more effective organisation and streamlining of processes
- Initiatives undertaken and ongoing to improve margins include:
  - Elimination of inconsistent pricing practices and a more unitised pricing policy
  - Stock reordering trials - improving stock reordering and management through a more automated process and supplier production scheduling
  - Reduction in the inventory aged profile
  - Region specific stock-holdings to increase stock-turn and free-up capacity
  - Warehouse reconfiguration to improve capacity and delivery efficiency
  - Focus on higher margin and exclusive products
  - More effective utilisation of delivery fleet - trialling dynamic route planning and consolidation of geographic specific deliveries
  - Reduction in expenditure on goods and services not for resale (GNFR)

Gross Margin

31.1%

+50 basis points (2016: 30.6%)



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2017 MOVEMENT IN NET EXPENSES

	Total expenses		Distribution		Administration	
	£000	%	£000	%	£000	%
Expenses for 2016	173,359		127,982	73.8	45,377	26.2
Significant movements in 2017:						
People cost	1,211	32.3	2,391	204.7	(1,180)	(45.7)
Vehicle expenses	483	12.9	537	46.0	(54)	(2.1)
Carriage and packaging costs	293	7.8	293	25.1	–	–
Sampling investment	(1,051)	(28.0)	(1,051)	(90.0)	–	–
Bad debts	348	9.3	348	29.8	–	–
Depreciation	(234)	(6.2)	(120)	(10.3)	(114)	(4.4)
Legal and professional fees	1,023	27.3	–	–	1,023	39.6
IT	418	11.1	–	–	418	16.2
Prior year exchange gain	471	12.6	–	–	471	18.2
Pension costs	415	11.1	–	–	415	16.1
Other	(100)	(2.7)	(1,230)	(105.3)	1,130	43.8
Underlying sub total	3,277	87.4	1,168	100.0	2,109	81.7
Non-underlying	472	12.6	–	–	472	18.3
Total before currency translation	3,749	100.0	1,168	100.0	2,581	100.0
Currency translation	1,589		1,326		263	
Expenses for 2017	178,697		130,476	73.0	48,221	27.0

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2017 UNDERLYING OPERATING PROFIT MOVEMENT

	Underlying	Non-underlying	Total
	£000	£000	£000
Operating profit 2016	41,072	(1,927)	39,145
Gross margin improvement in 2017			
Volume benefit	3,011	-	3,011
Pricing benefit	3,137	-	3,137
Effect of acquisitions	1,429	-	1,429
	7,577	-	7,577
Expenses increase			
Distribution	(1,557)	-	(1,557)
Administration	(1,745)	(472)	(2,217)
Effect of acquisitions	(1,564)	-	(1,564)
Total increase	(4,866)	(472)	(5,338)
Operating profit 2017	43,783	(2,399)	41,384
Drop through rate %	19.1		15.8
Operating margin %	6.2		5.8
Improvement %	6.6		5.7

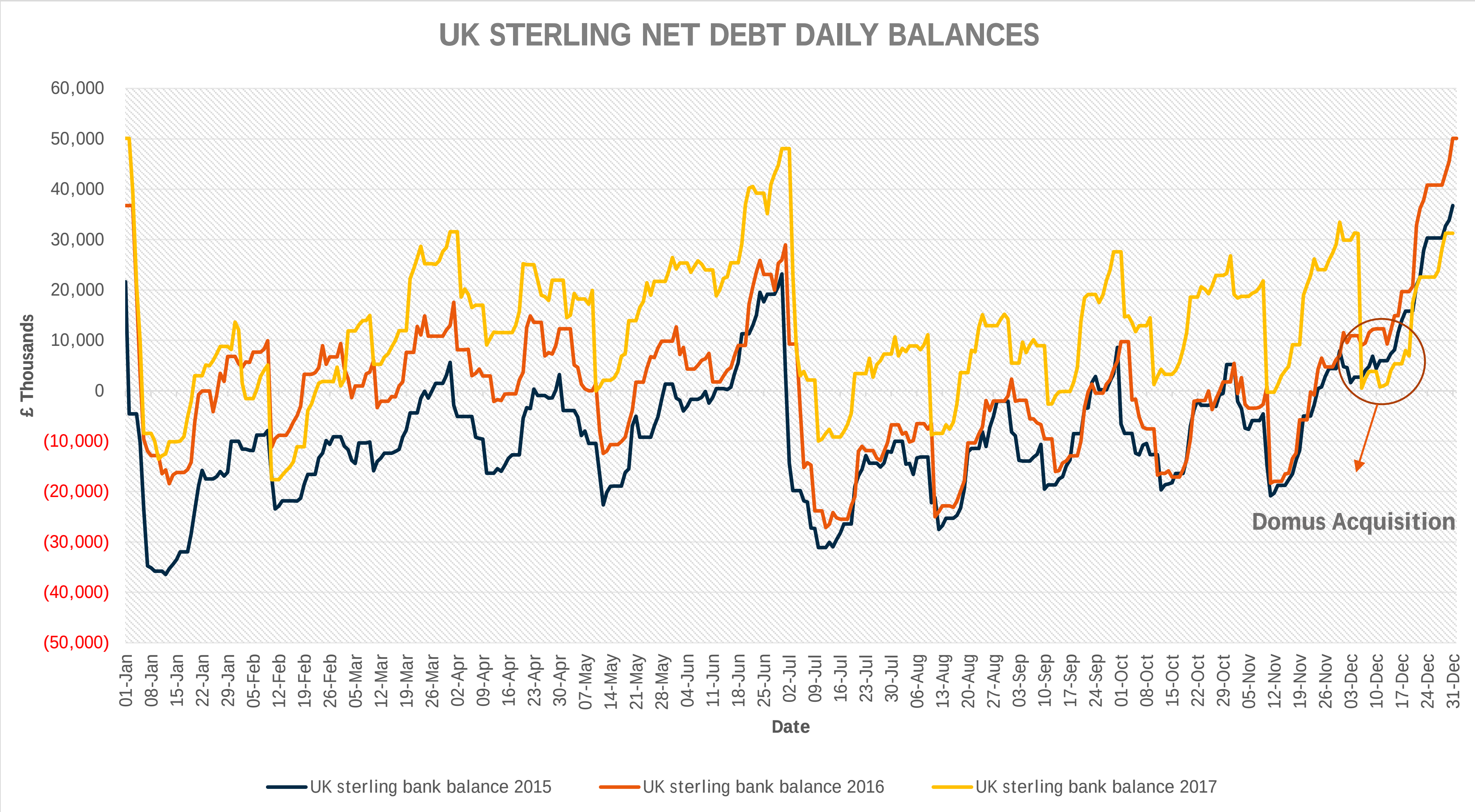
2017 CASH FLOW

	2017	2016	Variance
	£000	£000	£000
Cash flow from operating activities			
Operating Profit	41,384	39,145	2,239
Depreciation, amortisation and impairment	5,845	5,276	569
Profit on sale of fixed assets	(45)	(15)	(30)
Equity settled share-based payments	1,218	1,239	(21)
Operating cash flows before changes in working capital and other payables	48,402	45,645	2,757
Inventory	(2,210)	(5,895)	3,685
Receivables	7,564	(6,467)	14,031
Payables	754	10,365	(9,611)
Working capital changes	6,108	(1,997)	8,105
Cash generated from operations	54,510	43,648	10,862
	131.7%	111.5%	
Interest	(185)	(381)	196
Dividends	(25,729)	(22,464)	(3,265)
Taxation	(8,388)	(7,703)	(685)
Capital expenditure	(2,868)	(2,562)	(306)
Pensions	(2,164)	(2,171)	7
Acquisitions	(31,805)	-	(31,805)
Share movement	(377)	(224)	(153)
Movement in net debt	(230)	(13,544)	13,314
Other movements	(71,746)	(49,049)	(22,697)
Net (decrease)/increase in cash and cash equivalents	(17,236)	(5,401)	(11,835)

BALANCE SHEET AND NET FUNDS

	2017	2016	Variance
	£000	£000	£000
Non-current assets			
PPE	101,631	102,934	(303)
Intangible assets	44,662	10,388	34,274
Deferred tax assets	648	1,138	(490)
	146,941	114,460	33,481
Current assets			
Inventory	131,566	126,037	5,529
Receivables	127,976	128,934	(958)
Cash	42,030	59,343	(17,313)
	301,572	314,314	(12,742)
Total assets	448,513	428,774	20,739
Current liabilities			
Bank overdraft	-	(4)	4
Loans	(233)	(224)	(9)
Payables	(190,299)	(183,304)	(6,995)
Employee benefits	(2,235)	(2,169)	(66)
Tax	(6,339)	(6,824)	485
	(199,196)	(192,525)	(6,581)
Non-current liabilities			
Loans	(6,519)	(6,493)	(26)
Payables	(4,938)		(4,938)
Provisions	(2,048)	(1,531)	(517)
Deferred tax liabilities	(6,847)	(4,077)	(2,770)
Employee benefits	(10,481)	(20,781)	10,300
	(30,833)	(32,882)	2,049
Total Liabilities	(229,939)	(225,407)	(4,532)
Net assets	218,574	203,367	15,207
Cash	42,030	59,343	(17,313)
Bank Overdraft	-	(4)	4
Current Loans	(233)	(224)	(9)
Non-current loans	(6,519)	(6,493)	(26)
Total debt	(6,752)	(6,721)	(31)
Net funds	35,278	52,622	(17,282)

UK STERLING NET DEBT DAILY BALANCES 2017



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RE-FOCUSED ACQUISITION STRATEGY

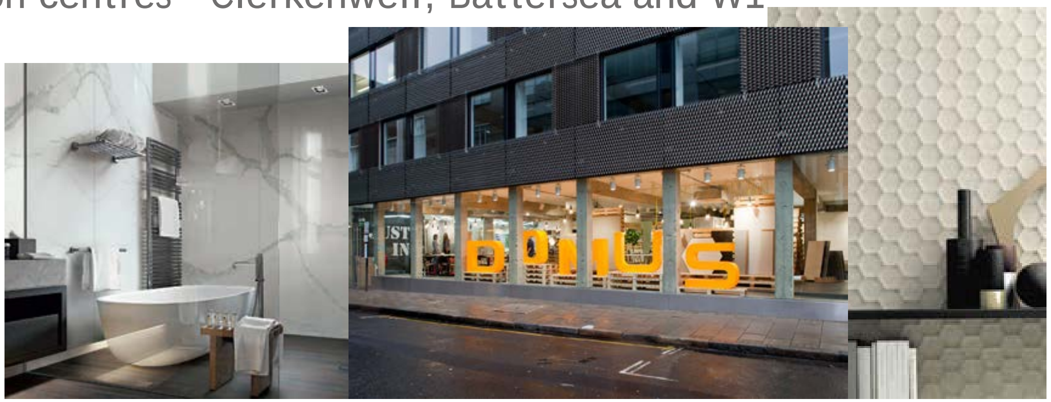
- **Recent history,** focused on acquiring small, bolt-on and underperforming businesses within core area, predominantly to achieve greater geographic coverage in UK

- **During 2017,** largely refocused on acquiring market-leading, financially strong businesses that:
  - Broaden and diversify overall market position in the floorcoverings industry
  - Bring strategic benefits
  - Accelerate growth and margin improvement
  - Widen geographic coverage
  - Expand footprint in existing Continental European countries
  - Increase / expand presence into underweight product lines
  - Increase / expand presence into underweight market segments
  - Provide market segment consolidation opportunities

- **Acquisitions to complement the market-leading core distribution business:**
  - Characterised by the supply of high volume, small value orders in residential and commercial sectors
  - Average order value in 2017 of £133 (2016: £127)

ACQUISITION OF DOMUS - DECEMBER 2017

- UK's leading specification consultant and supplier of hard surfaces for premium construction and refurbishment projects
- Core product offering - premium ceramic tiles and engineered flooring (engineered wood, LVT and laminate)
- Total revenue split c 48% residential and 52% commercial
- Product specifications and orders achieved by working with architects and interior designers throughout design phase of project
- Typical project sales cycle 15 to 18 months
- 30 sales people operating from 3 award-winning London centres - Clerkenwell, Battersea and W1
- Large-scale schemes completed include:
  - ➢ Battersea Power Station
  - ➢ Wembley Stadium
  - ➢ Heathrow Airport, Terminals 2 and 5
  - ➢ U.S. Embassy in Nine Elms, South London



Revenue	EBITDA	PBT	Gross Assets	Closing order book	No. of projects completed (approx.)	Average order size (approx.)
£29.6m	£4.4m	£2.9m	£20.4m	£7.8m	3,500	£8,500

Financial year ended 31 December 16

DOMUS ACQUISITION - TERMS

- Total minimum consideration of £32.7 million → 2017(e) EBITDA multiple 7.2x
- Total maximum consideration of £35.4 million → 2017(e) EBITDA multiple 7.8x

Initial consideration of £29.4 million, on an EV basis
+
Deferred consideration of £3.3 million*, payable in cash and Ordinary Shares**
+
Contingent consideration of a maximum of £2.7 million, payable in cash based on Domus achieving certain EBITDA targets over the three-year period ending 31 December 2020

	EV	Adjustments***	Consideration under IFRS
Upfront	29.4	(5.2)	24.2
Deferred consideration	6.0	(1.1)	4.9
Total (£)	35.4m	(6.3)m	29.1m

- Acquisition expected to be immediately earnings enhancing and will improve overall margin mix:
  - Domus's gross margin c 45% (Headlam: c 31%)
  - Domus's operating margin c 11.5% (Headlam: c 6%)
- Will continue to be operated under the Domus brand by the incumbent management team as a distinct business unit

** Of which £1.6 million is payable on 7 December 2019 and £1.7 million is payable on 7 December 2020*
*** £1.5 million of the deferred consideration will be satisfied by the issue of new Ordinary Shares, with 88,350 Ordinary Shares to be issued on 7 December 2019 and 187,116 Ordinary Shares to be issued on 7 December 2020, at an issue price of 535.42 pence each*
**** Adjustments for net debt and discounted fair value of consideration*

DERSIMO ACQUISITION - MARCH 2018

DERSIMO
legt de basis

- Acquisition of Dersimo based in Western Netherlands completed on 2 March 2018

- Revenue of €10.1 million and PBT of €0.4 million (year-ended 31 December 2017)

- Established in 1972, a highly-regarded family-owned floorcoverings distribution business involved in both the residential and commercial sectors

- Earnings enhancing and firmly in-line with the refocused acquisition strategy:
  - ➢ Increased weighting in the commercial sector in the Netherlands where previously underweight
  - ➢ Improved geographic coverage across the Netherlands
  - ➢ Much more meaningful overall market position

- No. 3 or 4 in the Dutch marketplace when combined with Headlam BV

- Potential for operating efficiencies:
  - ➢ Dersimo and Headlam BV to support each other going forward in terms of deliveries and stock

INVESTMENTS AND DIVIDENDS

Investments

- People & Culture:
  - UK & Continental Europe – Managerial, H&S, HR, Governance
  - Making the business stronger in every area
- Operational processes:
  - Warehouse and distribution processes
  - Majority aimed at improving margins
- Network:
  - New Ipswich distribution centre during 2018 & 2019, total capex c £24m
  - Will support other businesses in the wider area giving rise to operational efficiencies

Dividends

- Progressive total ordinary dividend policy:
  - Increases in-line with Basic EPS uplift
  - Additional uplift in 2017 due to cover ratio being rounded to 1.6 going forward (from 1.63)
  - Total ordinary dividend +10.0% to 24.80p v Basic EPS +6.3% to 39.1p
- Additional policy to return surplus capital to shareholders via special dividends:
  - Assessed against growth plans – expansion programme and selected acquisitions
  - 2018 = Ipswich capex and strong M&A pipeline

POST YEAR-END AND CURRENT TRADING

- Dersimo acquisition, and strong M&A pipeline reflecting the revised and refocused acquisition strategy:
  - Ample opportunities to supplement growth and market position
  - Intention to retain disciplined approach, targeting most rewarding, no recourse to excessive leverage
- Amanda Aldridge appointed to the Board as a Non-Executive Director
- Exclusivity secured on a site for a new distribution centre in the Ipswich area
- Other efficiency initiatives will only begin to be felt, and more readily realisable, from 2018 onwards:
  - Stock reordering trials
  - More effective utilisation of delivery fleet
  - GNFR expenditure
- FY 2018 expectations remain unchanged at this stage despite continuation of weaker markets:
  - Jan & Feb 2018, like-for-like decline of 5.9% and 5.1% respectively
  - Reduction of orders from a larger customer
  - Less reliant on top-line / market growth, focus on profit enhancement to achieve expectations
  - Many ‘self-help’ measures ongoing and underway

STRATEGIC PILLARS

WITH THE STRATEGIC AIM OF CREATING VALUE FOR THE BENEFIT OF ALL STAKEHOLDERS

GROWTH

- Continue growing market-leading core business
- Diversify and broaden overall position in the industry
- Accelerate growth through M&A (product, geography, segment)

CUSTOMERS

- Customer service and satisfaction at core of the business model
- Expand offering and customer base - support their growth through reciprocal relationship
- Evolution and innovation to respond to evolving demands

DYNAMIC MODEL

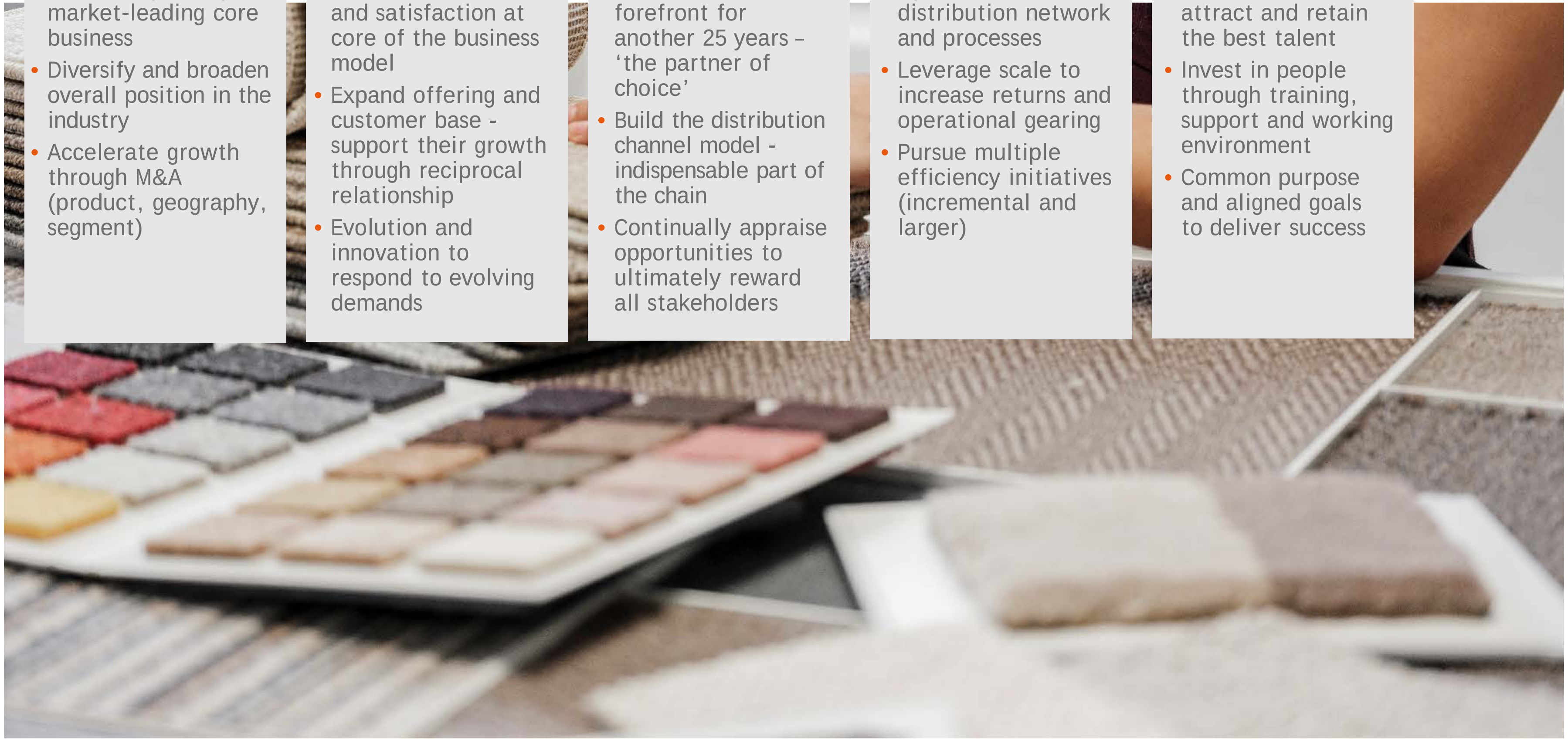
- Position at the forefront for another 25 years – 'the partner of choice'
- Build the distribution channel model - indispensable part of the chain
- Continually appraise opportunities to ultimately reward all stakeholders

MARGIN IMPROVEMENT

- Optimise the distribution network and processes
- Leverage scale to increase returns and operational gearing
- Pursue multiple efficiency initiatives (incremental and larger)

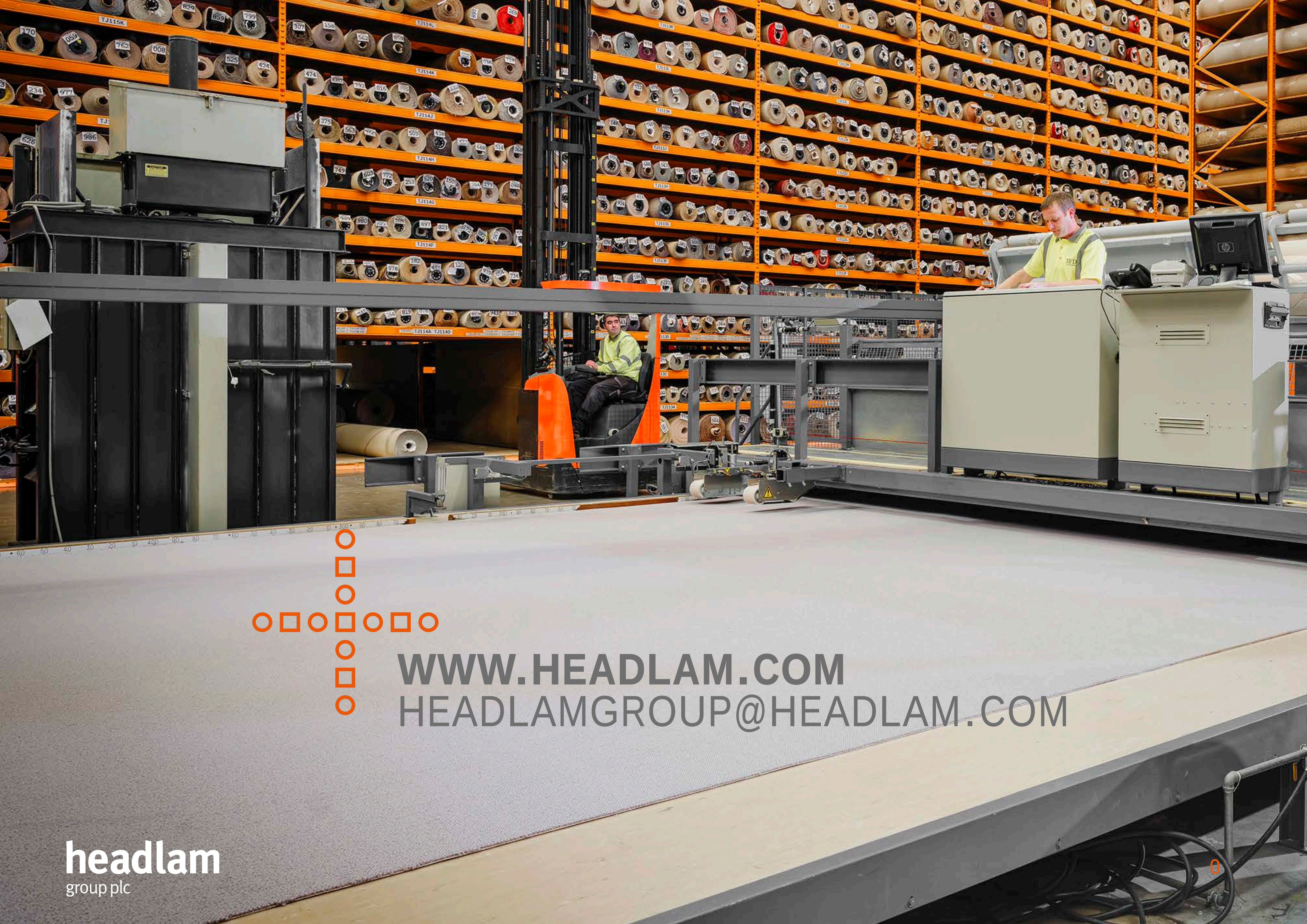
CULTURE & ETHOS

- Focus on culture to attract and retain the best talent
- Invest in people through training, support and working environment
- Common purpose and aligned goals to deliver success



SUMMARY

- Continue diversifying and broadening overall position in the industry
- Focus on profit enhancement against market backdrop
- Maintain the improved gross margin of +31% through a more cohesive approach across the businesses
- Ongoing and additional operational efficiencies and initiatives
- Evaluate all areas of cost to further enhance profitability
- Advance earnings-enhancing acquisitions in-line with refocused M&A strategy
- Ongoing investment in the business and people to support organic growth
- Maintain progressive ordinary dividend policy



WWW.HEADLAM.COM

HEADLAMGROUP@HEADLAM.COM