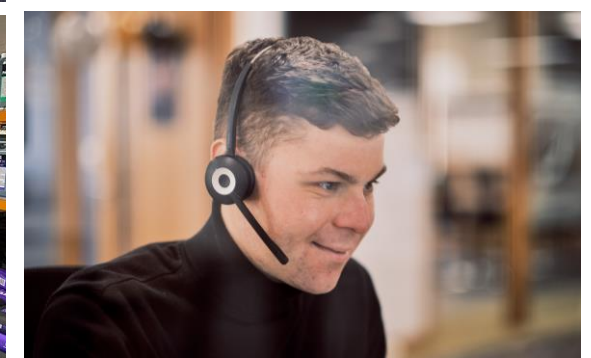
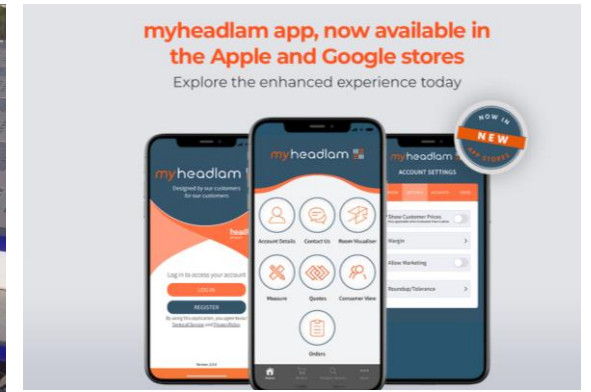
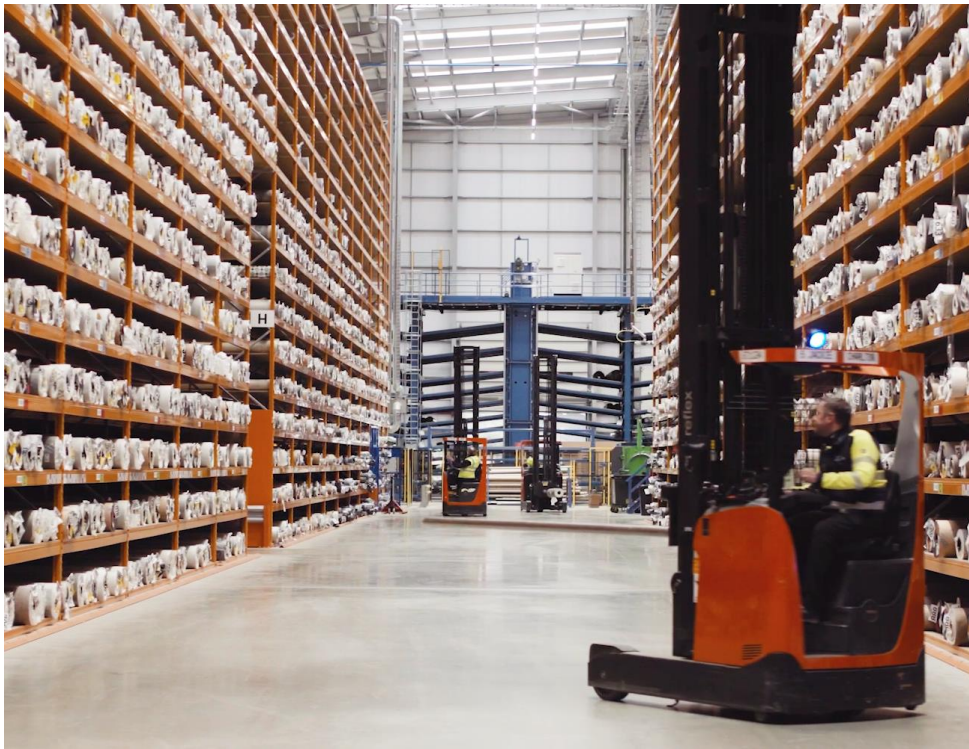


INTERIM RESULTS

Six months ended 30 June 2022

The leading floorcoverings distributor



headlam
group plc



THE LEADING FLOORCOVERINGS DISTRIBUTOR

Delivering flooring products, expertise and solutions across the industry



Chris Payne Chief Executive

- About Us
- H1 2022 Financials
- Strategy and ESG Update
- Current Trading and Outlook
- Summary

headlam group plc

66 Businesses

All with individual identities to capture regional and national sales
Supported by the group's centralised resources and processes

21 Distribution hubs and centres

Extensive nationwide network
Ongoing investment in the network, including in systems, equipment and trade counter roll-out

Extensive customer base and growing	Nationwide operations next day delivery and collections	Strong Balance Sheet and shareholder returns
Largest product offering and supplier base	Most comprehensive service offering	Comprehensive and developing ESG Strategy
Unrivalled expertise, people and processes	Focus on operational efficiency and cost control	Focus on strong Corporate Governance

Comprehensive strategy in place
To increase market leading position, revenue and margin performance

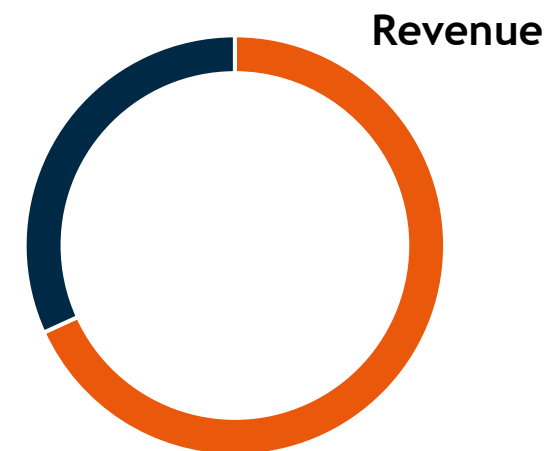


H1 2022 FINANCIALS

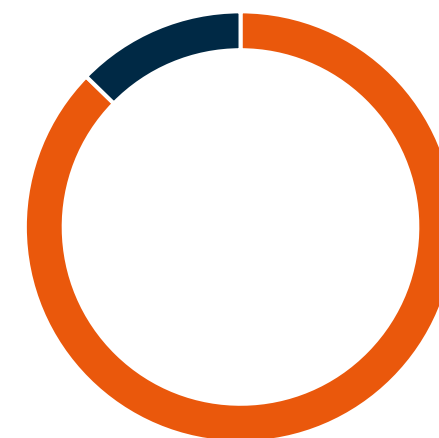
H1 2022 FINANCIAL HIGHLIGHTS

Pleasing performance given economic / inflationary environment

- Total revenue £323.8m (H1 2021: £329.9m):
 - 5.2% uplift in Continental Europe helping to offset a 2.9% decline in the UK related to weakness in the residential sector
- Gross margin temporarily lifted to a high of 33.7% (H1 2021: 32.7%) due to the unprecedented inflationary environment
- Underlying distribution costs and admin expenses comparable with H1 2021 despite widespread operational cost inflation due to focus on operational efficiency and cost control (H1 2022: £91.1m; H1 2021: £90.5m)
- Improved underlying PBT £17.3m (H1 2021: £16.7m)
- Statutory PBT £21.6m (H1 2021: £14.0m) higher than underlying due to proceeds from ongoing insurance claim creating a net profit from non-underlying items
- Undrawn banking facilities of £74.0m and net funds of £6.0m at 30 June 2022 (31 Dec 2021: £53.7m net funds)
- Progressive ordinary dividend reflecting the improved profit performance:
 - 2022 interim dividend of 6.2p (2021 interim dividend: 5.8p)



Residential sector	66.4%
Commercial sector	33.6%



UK	86.3%
Continental Europe*	13.7%

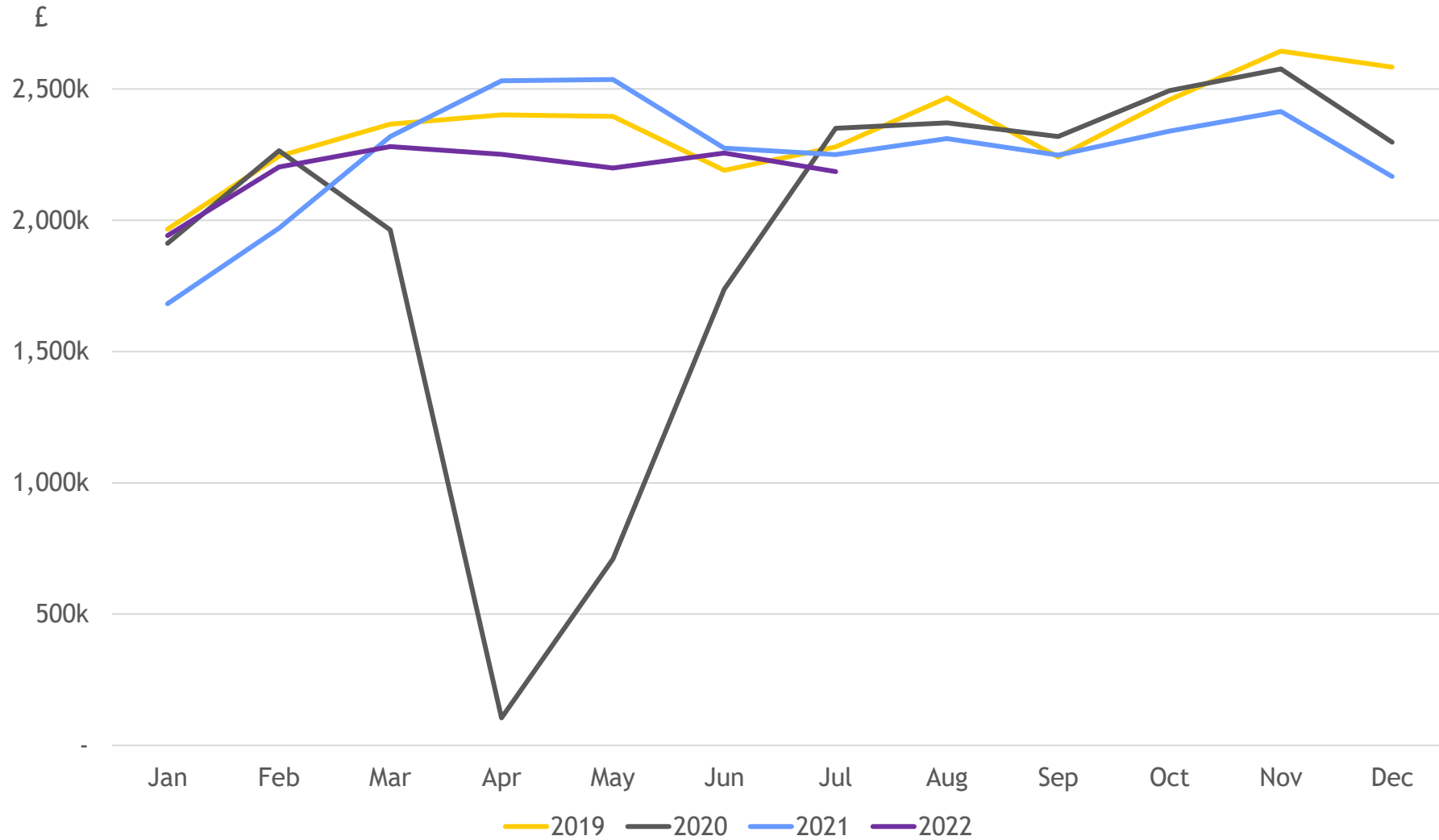
Continental Europe: France and the Netherlands

All financial results represent continuing operations only, and exclude the contribution from the Swiss business Belcolor in the comparator period(s), following its disposal in May 2021

Underlying is before non-underlying items, which comprises: i) amortisation of acquired intangible assets; ii) impairment of intangibles, fixed assets and right of use assets; iii) property disposal profit; iv) business restructuring costs; v) fire-related impairment of property, plant and equipment and inventory, and related insurance recovery

Net funds numbers are given excluding lease liabilities

UK DISTRIBUTION DAILY SALES*



*Calculated on a like-for-like basis, being based on activities and businesses that made a full contribution in both the current and previous year, and adjusted for any variances in working days

INCOME STATEMENT

Income Statement	H1 2022		H1 2021	
	£M	%	£M	%
Continuing Operations				
Revenue	323.8	100.0%	329.9	100.0%
Cost of sales	(214.8)	(66.3)%	(222.0)	(67.3)%
Gross profit	109.0	33.7%	107.9	32.7%
Distribution costs	(64.6)	(20.0)%	(61.8)	(18.7)%
Administrative expenses	(26.5)	(8.2)%	(28.7)	(8.7)%
Operating profit	17.9	5.5%	17.4	5.3%
Net finance costs	(0.6)	(0.2)%	(0.7)	(0.2)%
Underlying profit before tax	17.3	5.3%	16.7	5.1%
Non-underlying items	4.3	1.3%	(2.7)	(0.8)%
Statutory profit / (loss) before tax	21.6	6.7%	14.0	4.2%
Basic earnings / (loss) per share - continuing operations	20.6p		11.6p	
Basic earnings / (loss) per share - discontinued operations	-		5.3p	
Interim dividend	6.20p		5.80p	

- Revenue only marginally below H1 2021 despite weak UK residential sector due to the inflationary environment (residential accounts for c 2/3rds of the Company's revenue)
- Pleasing gross margin and costs / expenses performances leading to an improved underlying operating margin of 5.5% (H1 2021: 5.3%)
- Non-underlying items before tax creating a net profit of £4.3m (see page 11)

REVENUE MOVEMENT

Revenue				
Continuing Operations	£M	%	£M	%
H1 2021 revenue:				
UK	287.9	87.3		
Continental Europe	42.0	12.7		
			329.9	100.0
UK incremental items:				
Like-for-like	(6.0)	(2.1)		
Change in working days	(2.3)	(0.8)		
Acquisitions	-	-		
			(8.3)	(2.9)
Continental Europe incremental items:				
Like-for-like	2.9	6.9		
Change in working days	0.3	0.7		
Translation effect	(1.0)	(2.4)		
			2.2	5.2
Total movement			(6.1)	(1.8)
H1 2022 revenue:				
UK	279.6	86.3		
Continental Europe	44.2	13.7		
			323.8	100.0

- In UK, residential sector -6.3% and commercial sector +4.8% as the commercial sector showed recovery from mainly COVID-19 related issues in last 2 years
- Continental Europe a positive contributor across both residential and commercial sectors (+5.0% and +5.7%)

UNDERLYING OPERATING PROFIT MOVEMENT

Operating Profit	Underlying	Non-underlying	Total
Continuing Operations	£M	£M	£M
H1 2021 Operating profit	17.4	(2.7)	14.7
Gross margin changes:			
Volume	(5.6)	-	(5.6)
Price inflation	7.6	-	7.6
Change in working days	(0.6)		(0.6)
Other	(0.3)	-	(0.3)
Total increase	1.1	-	1.1
Other operating income	-	5.0	5.0
Expense changes	(0.6)	2.0	1.4
H1 2022 Operating profit	17.9	4.3	22.2

- Gross margin temporarily lifted to a high of 33.7% due to unprecedented inflationary environment and proliferation of manufacturer-led price increases (passed directly through to customers)
- This partly offset the impact of suppressed volumes in the residential sector

NON-UNDERLYING ITEMS

Non-underlying items	H1 2022	H1 2021
Continuing Operations	£M	£M
Impairment of goodwill and intangibles	-	1.2
Amortisation of intangibles	0.7	0.9
Non-underlying non-cash items	0.7	2.1
Property disposal profit	-	(0.9)
Business restructuring costs	-	1.5
Insurance proceeds (following fire)	(5.0)	-
Non-underlying cash items	(5.0)	0.6
Non-underlying items before tax	(4.3)	2.7

- Insurance proceeds of £5.0m following a fire at the MCD Kidderminster distribution centre in December 2021 (£7.3m non-underlying impairment recognised in FY 2021)
- Current proceeds largely relate to inventory losses
- Further proceeds anticipated to be determined once the plans for the proposed reinstatement of the building are finalised

CASH FLOW MOVEMENT

Cash Flow	H1 2022 £M	H1 2021 £M
Underlying EBITDA	26.6	27.2
Change in inventories	(16.9)	(11.5)
Change in receivables	(4.4)	(12.0)
Change in payables	(21.3)	5.1
Other	0.6	0.3
Cash generated from operations (underlying)	(15.4)	9.1
Interest and tax	(3.2)	(3.4)
Disposal proceeds (inc discontinued)	-	10.6
Capital investment	(2.8)	(3.4)
Lease payments	(5.8)	(7.5)
Movement in borrowings	18.0	(0.1)
Dividends and acquiring own shares	(25.8)	(1.7)
Non-underlying	5.0	(1.5)
Other	0.2	0.1
Net cash flow	(29.8)	2.2

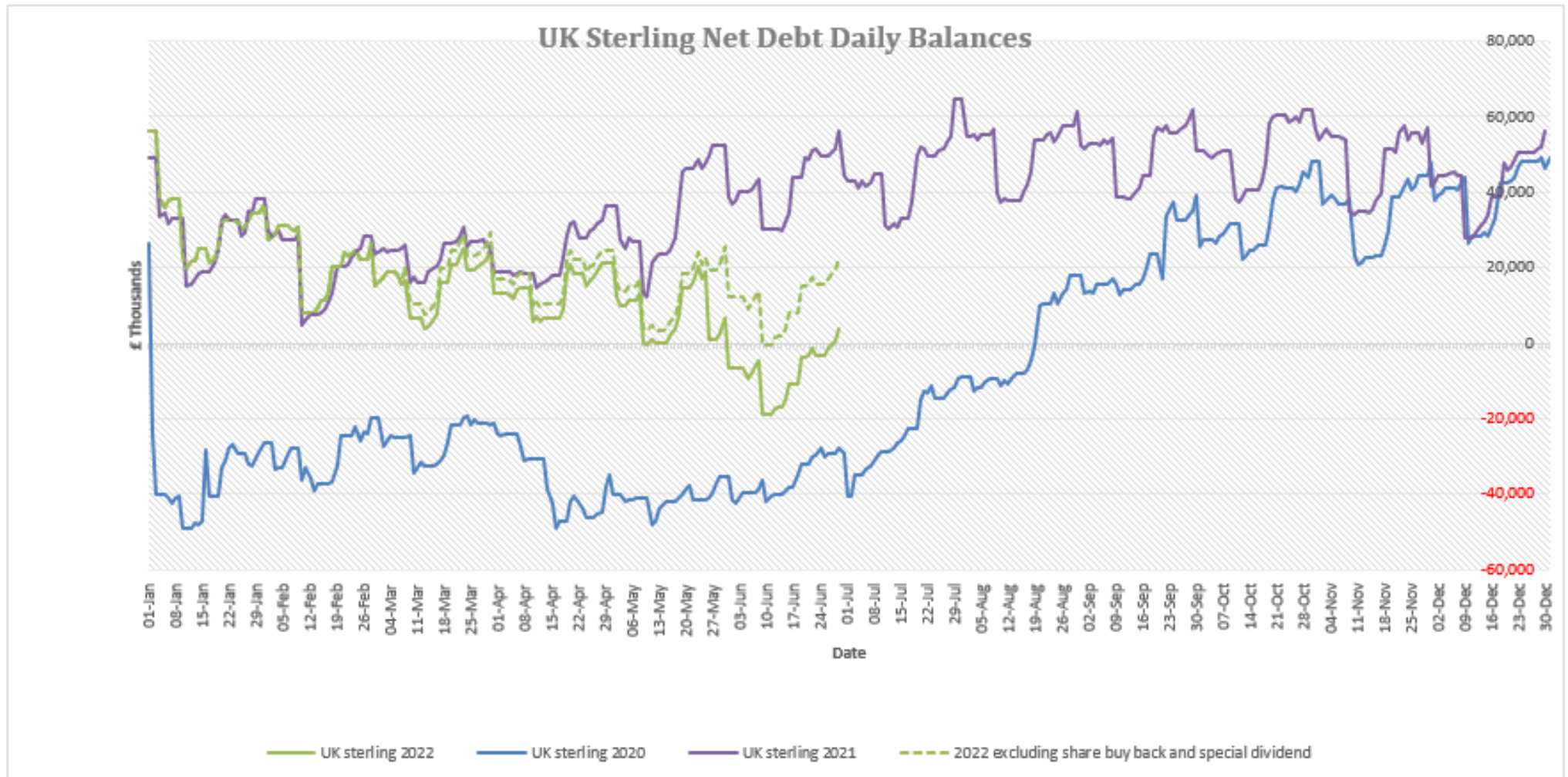
- Investment in inventory and associated reduction in payables; i) reflecting build up to protect against previous product supply issues, and ii) to prepare for busier H2 trading months and product launches
- Total capital investment for FY22 expected to be +£10m, primarily focused on trade counter roll-out
- Shareholder returns of £25.8m (final div + special div + ongoing £15m share buyback programme)

BALANCE SHEET

Balance Sheet	June 2022 £M	June 2021 £M
Property, plant and equipment	112.9	115.9
Intangibles	17.9	19.0
Inventories	148.1	120.6
Trade and other receivables	118.8	109.6
Cash	31.5	62.6
Trade and other payables	(169.3)	(176.9)
Borrowings	(25.5)	(8.7)
Other assets and liabilities	(21.0)	(16.0)
Net Assets	213.4	226.1
Share capital and premium	57.8	57.8
Other reserves	(16.0)	(2.0)
Retained earnings	171.6	170.3
Total equity	213.4	226.1

- Strong balance sheet underpinned by inventory, nationwide freehold property portfolio, and net funds position
- Current freehold property portfolio valued at £109.5m (at last independent valuation date of January 2020 plus book value of new Ipswich distribution centre which became operational July 2020)
- Undrawn banking facilities totalling £74.0m at 30 June 2022

UK STERLING NET DEBT DAILY BALANCES



STRATEGY AND ESG UPDATE



STRATEGY

Driving additional revenue opportunities from a more efficient operating base

- Focus on operating efficiency and cost control
- Investment in the network (sites and equipment) and systems to optimise performance and support revenue growth
- Modernise and digitalize to increase revenue opportunities and help lower cost to serve
- Improve service offering to all customer segments
- Actively target a 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

Pleasing progress being made in demonstrating and delivering on the strategy

TRADE COUNTERS

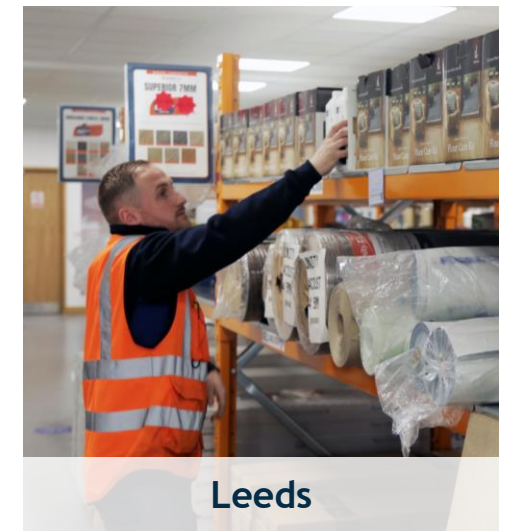
Accelerating roll-out of new and improved sites nationwide

Fast growing business unit:

- 53 uninvested sites in 2021
- Target of 90 fully invested sites by 2025
- Target of adding c £120m of new revenue to base of £80m
- Total capex of c £18m

Good progress being made:

- Invested sites demonstrating strong KPIs against uninvested sites
- Revenue +12% for invested sites on same period last year (L4L basis)
- On track for 59 sites by end 2022 (28 invested)
- Strong pipeline of prospective sites, target of further 25 invested sites in 2023, of which 13 new
- New Managing Director of Trade Counters appointed



MULTIPLE RETAILERS AND LARGER CUSTOMERS

Significant revenue opportunity from a current modest position

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 made:

- Number of new customers gained, 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

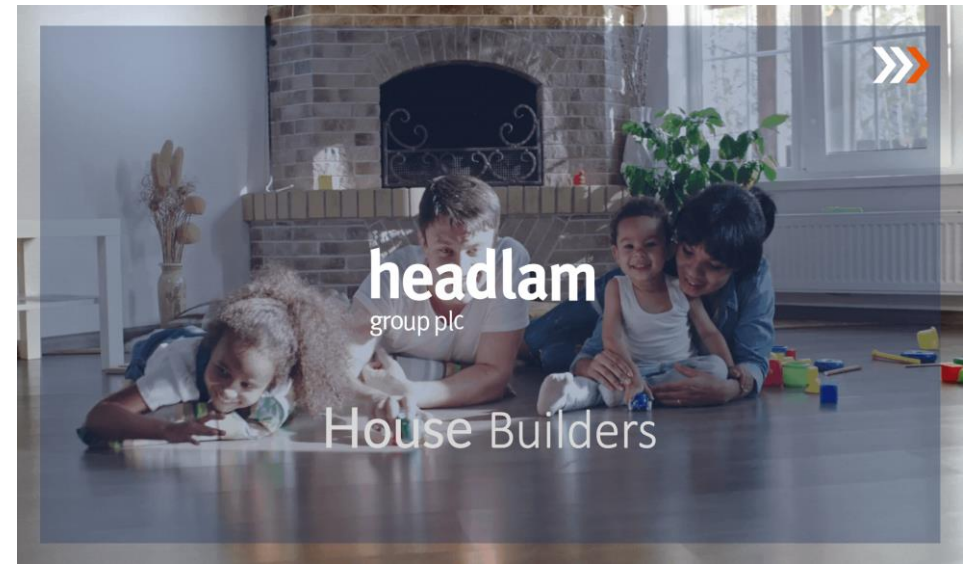
A leading UK home improvement retailer with nationwide stores

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 now being delivered to entire store network
- Potential to scale up, and add further products

Top 10 UK housebuilder

- Vast majority of all new homes in UK sold with flooring
- Headlam's first national contract with a housebuilder
- Contract signed in August 2022, activity commencing shortly
- Headlam providing a product range, sampling, and training package to the regional sales centres

PRODUCT AND BRANDS

Existing 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 (high price point)
 - Kersaint Cobb (middle/high 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



Launch of new and exclusive affordable residential range



every-room.co.uk

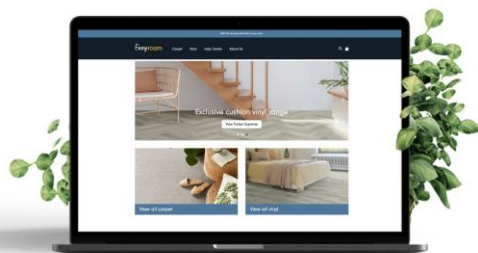
Everyroom

headlam
group plc

Everyroom
is now available!

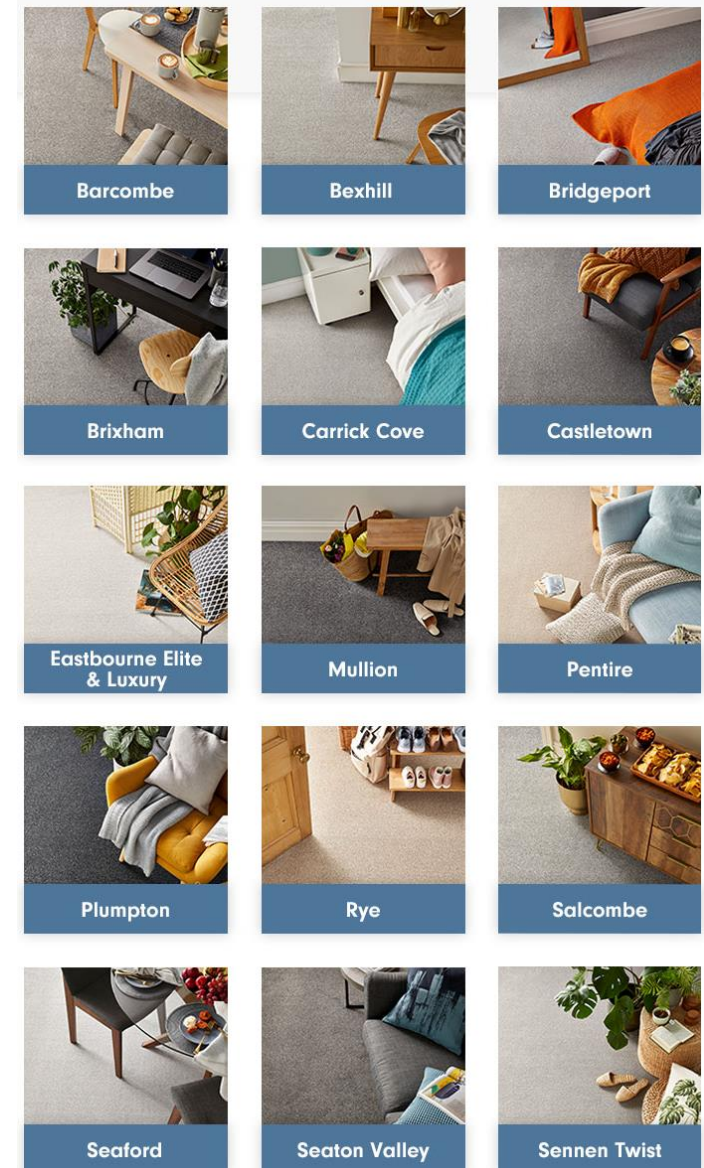
Exclusive, great value, on-trend flooring available to Headlam customers across the United Kingdom

Trade prices guaranteed until September 2022



Consumer home samples available to order at [every-room.co.uk](https://www.every-room.co.uk)

- Available to all Headlam customers
- Helping to secure sales at a time when end-consumers are more cost conscious
- Initial feedback very positive, rolling-out range and sampling / lecterns into retailers



ESG UPDATE AND BOARD

Focus on delivery of overall strategy, and high levels of corporate governance

ESG Update

Summary of progress since FY21 ESG Report

- Established Executive ESG Committee
- Engaging in Net Zero emissions transition planning (2035 ambition)
- Rolling out installation of solar panels at further larger sites from early 2023
- Locally focused Community Programme launched
- Increased number of mental health first aiders
- Completed review of National Living Wage
- DEI survey completed, with initial insights and next steps shared across the group
- Launching recognition programme to celebrate colleagues across the group

Next bi-annual update in November 2022

Board

New NED Appointment

- Karen Hubbard appointed from 1 Sept 2022
- Over 25 years' experience in retail across a number of different industries
- Formerly Chief Executive Officer of Card Factory plc, the UK's leading specialist retailer
- Prior to this Chief Operating Officer at B&M, accountable for IT, Operations, Logistics and Supply Chain

Chief Financial Officer Appointment

- Patrick Butcher acting as Interim, formerly Group CFO at Capita plc, The Go-Ahead Group plc and Network Rail
- High calibre of candidates currently being interviewed for permanent role
- Hope to reach a conclusion in near future

CURRENT TRADING AND OUTLOOK



CURRENT TRADING AND OUTLOOK

Strategy proven to have provided a countermeasure and protection against weaker market thus far

- Revenue performance year to date continuing to be only marginally below the prior year period
- Continuing more buoyant UK commercial sector activity and Continental Europe both helping to offset UK residential sector performance, which has weakened slightly further due to economic environment and inflationary impact on consumer spending
- Comprehensive strategy being pursued has thus far provided a countermeasure and protection against weaker market
- Still remain on track to meet market expectations* for the year
- However, trading remains challenging and operational cost inflation continues, including the Company's energy costs
- Maximisation and acceleration of the strategy an immediate priority given backdrop
- Should be set fair for when current headwinds ease, with focus on long term success

Currently remain on track to meet market expectations* for the year

SUMMARY

Gaining market share, and set fair for when current headwinds ease

Solid base

- Market leading
- Strong balance sheet
- Extensive network being invested in
- Many opportunities

Capability added to support delivery of strategy

- A number of Senior Management appointments
- Increasing capability and skills across the group
- New Non-Executive Director

Well positioned

- Delivering on and demonstrating the strategy
- Gained market share per commissioned research
- Set fair for when current headwinds ease



Q&A

