



# 2025 FULL YEAR RESULTS

March 2026

headlam

The leading,  
most trusted  
experts in flooring

# WELCOME AND AGENDA

- INTRODUCTION
- 2025 FINANCIAL PERFORMANCE
- IMPLEMENTATION OF REVISED CORE CUSTOMER STRATEGY
- OUTLOOK
- Q&A



**Stephen Bird**  
**Interim Executive Chair**



**Adam Phillips**  
**Chief Financial Officer**

# INTRODUCTION

Core customer  
strategy  
implemented

Transformation  
accelerated

Clear line of sight  
to profitability in  
2027

# NEW MANAGEMENT TEAM

- Experienced new management team
- Transformation leadership
- Board alignment



**Rob Barclay**  
**Designate Chief Executive  
Officer**



**Richard Jones**  
**Interim Chief Financial  
Officer**



# 2025 FINANCIAL PERFORMANCE

# INCOME STATEMENT

## Revenue decline with flat margin and costs

Continuing operations	2025 £m	% of revenue	2024 £m	% of revenue
Revenue	498.7	100.0%	525.7	100.0%
Cost of sales	(351.4)	(70.5)%	(369.7)	(70.3)%
<b>Gross Profit</b>	<b>147.3</b>	<b>29.5%</b>	<b>156.0</b>	<b>29.7%</b>
Operating costs	(180.7)	(36.2)%	(180.9)	(34.4)%
<b>Underlying Operating Loss</b>	<b>(33.4)</b>	<b>(6.7)%</b>	<b>(24.9)</b>	<b>(4.7)%</b>
Net finance costs	(6.1)	(1.2)%	(6.8)	(1.3)%
<b>Underlying Loss Before Tax</b>	<b>(39.5)</b>	<b>(7.9)%</b>	<b>(31.7)</b>	<b>(6.0)%</b>
Non-underlying items	(30.1)	(6.0)%	(6.4)	(1.2)%
<b>Statutory Loss Before Tax</b>	<b>(69.6)</b>	<b>(14.0)%</b>	<b>(38.1)</b>	<b>(7.2)%</b>

- Revenue reduced 4.6%<sup>1</sup> year-on-year
- Gross margin of 29.5% was broadly unchanged year-on-year with mix impact from growth in lower-margin larger customers mitigated by proactive sourcing actions and centralised buying function
- Operating costs were flat year-on-year with additional trade counter costs and c.£5m cost inflation offset by cost saving actions
- Net finance costs were £0.7m lower, partly reflecting lower average borrowings
- Reflecting market decline, investment in new trade counter collection points and cost inflation, Underlying Loss Before Tax was £(39.5)m
- Non-underlying items of £30.1m detailed on separate slide
- The Continental European businesses are classified as discontinued operations and made an underlying loss before tax of £3.7m

# NON-UNDERLYING ITEMS

£30m of non-underlying items of which £4m was the net cash cost

	2025 Cash £m	2025 Non-cash £m	2025 Total £m	2024 Total £m
<b>Continuing operations</b>				
Amortisation of intangibles	-	(1.1)	(1.1)	(1.2)
Impairment of assets	-	(4.8)	(4.8)	(4.0)
Business restructuring and change-related costs	(19.8)	(3.4)	(23.2)	(19.7)
Profit on sale of property, plant and equipment	21.2	(15.0)	6.2	21.1
ERP system development	(5.6)	-	(5.6)	(2.6)
Provision relating to legal claim	-	(1.6)	(1.6)	-
<b>Non-underlying expense before tax</b>	<b>(4.2)</b>	<b>(25.9)</b>	<b>(30.1)</b>	<b>(6.4)</b>

- Asset impairments of £4.8m related to write-downs of goodwill and intangible assets for the Melrose business
- £23.2m of business restructuring and change-related costs associated with the transformation plan
  - The cash costs included severance, recruitment, retention and other people-related costs; the one-off cost of investment in new point-of-sale materials to accompany the Mercado consolidation; and advisory costs
  - The non-cash expense of £3.4 million principally relates to stock provisions, reflecting the write-down of legacy stock holdings in respect of network optimisation initiatives and range rationalisation activities
- Property disposal generated a profit of £6.2m
- £5.6m of costs incurred on the development of the replacement ERP
- £1.6m legal claim provision relating to an accident at one of the Group's sites in 2022

# CASH FLOW

## Net debt of £31m; stock reduction towards end of year turns into cash benefit in 2026

	2025	2024	2 year cash flow
	£m	£m	£m
Underlying EBITDA	(12.5)	(5.0)	(17.5)
Change in inventories	10.6	16.8	27.4
Change in receivables	16.9	2.0	18.9
Change in payables	(34.3)	12.2	(22.1)
Other	0.7	1.0	1.7
<b>Underlying Operating Cash Flow</b>	<b>(18.6)</b>	<b>27.0</b>	<b>8.4</b>
Interest and tax	1.4	(4.7)	(3.3)
Capital investment	(4.4)	(10.5)	(14.9)
Lease payments	(15.8)	(13.7)	(29.5)
Dividends and acquiring own shares	-	(4.8)	(4.8)
Non-underlying	(4.2)	48.5	44.3
Discontinued operations	(0.8)	(1.2)	(2.0)
<b>Net cash flow before movement in borrowings</b>	<b>(42.4)</b>	<b>40.6</b>	<b>(1.8)</b>
<b>Net debt</b>	<b>(31.4)</b>	<b>10.9</b>	

- Over the last two years, cash flow has been broadly neutral with Net Debt unchanged over the two year period. The operating losses incurred by the business plus the costs of transformation have been offset by property disposals and working capital inflows
- In 2025, inventories were £10.6m lower reflecting the actions taken to improve stock turn towards the end of the year; this turns into a cash benefit in 2026
- Receivables lower, resulting in cash inflow, due to movement in revenue
- Payables declined, resulting in cash outflow; £10.8m of this was due to the payment of VAT collected in December 2024 on property disposals and the rest due to a reduction in purchases; average payables days unchanged
- A net inflow of £1.4m on interest and tax, including a tax refund in respect of previous years
- Capital investment of £4.4m including £1.8m for the final rollouts of trade counters
- Lease payments of £15.8m were increased on last year reflecting the additional leased sites
- Non-underlying cash costs netted to £4.2m in the year
- Discontinued operations were a cash outflow of £0.8m

# BALANCE SHEET

Strong asset backing; new borrowing facility agreed

	Dec 2025 £m	Dec 2024 £m
Property, plant and equipment	68.8	86.9
Intangibles	11.3	17.6
Inventories	77.4	102.8
Trade and other receivables	86.6	111.0
Cash	26.1	12.0
Trade and other payables	(97.2)	(139.2)
Borrowings	(59.0)	(1.1)
Other assets and liabilities	(4.0)	1.0
<b>Net Assets</b>	<b>110.0</b>	<b>191.0</b>
Share capital and premium	57.8	57.8
Other reserves	(15.3)	(15.5)
Retained earnings	67.5	148.7
<b>Total Equity</b>	<b>110.0</b>	<b>191.0</b>

**£75m<sup>(1)</sup>**  
property assets

Net working capital asset has averaged  
**£70-75m**  
over the last two years

New borrowing facility of  
**up to £85m**  
until 2029 agreed in January 2026

A decorative bowl filled with pinecones sits on a light-colored, textured rug. The scene is captured in a close-up, slightly high-angle shot, with the bowl's rim and the pinecones' intricate patterns clearly visible. The overall aesthetic is warm and natural.

# IMPLEMENTATION OF REVISED "CORE CUSTOMER" STRATEGY

# REVISED STRATEGY

Objective of profitable, cash generative business with sustainable growth enabled through five distinct strategic levers

**1. Reduce  
low margin  
revenue**

**2. Reduce  
fixed and  
variable  
costs**

**3. Enhance  
customer  
service**

**4. Simplify  
ranges and  
consolidate  
suppliers**

**5. Optimise  
cash**

Volume discipline, optimised network, enhanced service, and simplified range to sustainably increase profit and cash and ensure business resilience for the benefit of core customer base

# REDUCE LOW MARGIN REVENUE

## Four key actions to improve quality of revenue

1. Reduce  
low margin  
revenue

2. Reduce  
fixed and  
variable  
costs

3. Enhance  
customer  
service

4. Simplify  
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5. Optimise  
cash

# 1

## Reduce low-margin business

- Focus on profitable revenue not volume
- Enables optimisation of network infrastructure

# 2

## Exit Continental Europe

- Exit unprofitable business in France and Netherlands

# 3

## Optimise category mix

- Focus on profitable categories
- Enables optimisation of network infrastructure
- Proactively re-energise our own consumer brands

# 4

## Consolidate trade counters

- Role and organisational structure repositioned
- Refocus on profitable trade counters
- Enables optimisation of network infrastructure

# REDUCE COST BASE

1. Reduce low margin revenue

2. Reduce fixed and variable costs

3. Enhance customer service

4. Simplify ranges and consolidate suppliers

5. Optimise cash

**Low gross margin revenue reduction provides significant cost saving opportunity**

**1**

**Direct costs**

- Direct overhead reduction opportunity includes warehouse, transport, energy, rent and rates

**2**

**Indirect costs**

- Reduction in overheads from network optimisation

**3**

**Reduce network footprint**

- Historic 1.5 million<sup>1</sup> sq.ft. of warehousing space in our distribution centres reduced to 1.3 million to date and will reduce further

Cost benefits associated with the planned reduction in revenue will be substantial once fully complete

# ENHANCE CUSTOMER SERVICE

**A more focused business enables enhanced customer service for core customers**

1. Reduce low margin revenue

2. Reduce fixed and variable costs

**3. Enhance customer service**

4. Simplify ranges and consolidate suppliers

5. Optimise cash

**1**

## **Delivery improvement**

- Delivery success substantially improved year-on-year for the first two months of this year

**2**

## **Improve availability**

- Better inventory management and newly centralised buying function

Overhaul of historically fragmented and decentralised business to ensure expected service levels met

# SIMPLIFY RANGE AND CONSOLIDATE SUPPLIERS

1. Reduce low margin revenue

2. Reduce fixed and variable costs

3. Enhance customer service

4. Simplify ranges and consolidate suppliers

5. Optimise cash

**Four key actions to improve quality of offering for all stakeholders**

**1**

**Single go-to-market proposition**

- Consolidated six different own product brand businesses into the Mercado sales team

**2**

**Range reduction**

- Focus on key products for core customers
- Product range reduction completed - 27k to 16k SKUs
- Further benefit as focus on profitable categories

**3**

**Strengthened supplier partnerships**

- Supplier sourcing benefits
- Further opportunities for increased collaboration

**4**

**Pricing and discounting opportunity**

- Consolidation of trading businesses provides opportunity for pricing consistency and optimisation with gross margin benefits

# OPTIMISE CASH

1. Reduce low margin revenue

2. Reduce fixed and variable costs

3. Enhance customer service

4. Simplify ranges and consolidate suppliers

5. Optimise cash

Three key actions to generate incremental cash strengthening business optionality and resilience

1

## Working capital reduction

- Working capital reduction through optimising inventory levels

2

## Improved stock turn

- In 2023 the stock turn was 3.2x, improving to 3.5x in 2024; recent run rate strongly above 4x. Going forward we target a stock turn of 5x

3

## Property disposals

- Three properties currently on the market with more becoming available for sale over the next 18 months

Net debt reduced in 2026 with further improvement in 2027 and thereafter



# OUTLOOK

# OUTLOOK

- The new core customer strategy will see a material planned reduction in revenue over 2026 and 2027
- Once fully implemented, and assuming a stable market, this is expected to result in a smaller base revenue on continuing operations but with a significant enhancement to quality of earnings through enhanced gross margin
- With cost saving initiatives also on track, overall future net operating margin expected to return to mid-single digit once the transformation plan fully executed
- Property disposal programme and a reduction in working capital expected to materially reduce Net Debt by the end of 2026 with further improvement anticipated in 2027
- In the near term, trading conditions remain challenging: consumer spending on home improvements continues to decline and the conflict in the Middle East, whilst hard to predict, has already created cost pressures for the wider UK flooring industry with significant price increases in polypropylene and fuel
- Over the medium term, with a clear and granular transformation strategy now in place and beginning to have a positive impact despite continuing challenging trading conditions, the Board believes that the outlook for Headlam is positive reflecting the benefits of its market leading position, inherent strengths and renewed focus on core independent retailers and contractors
- The Board therefore continues to have confidence in a return to profitability in 2027 as previously guided

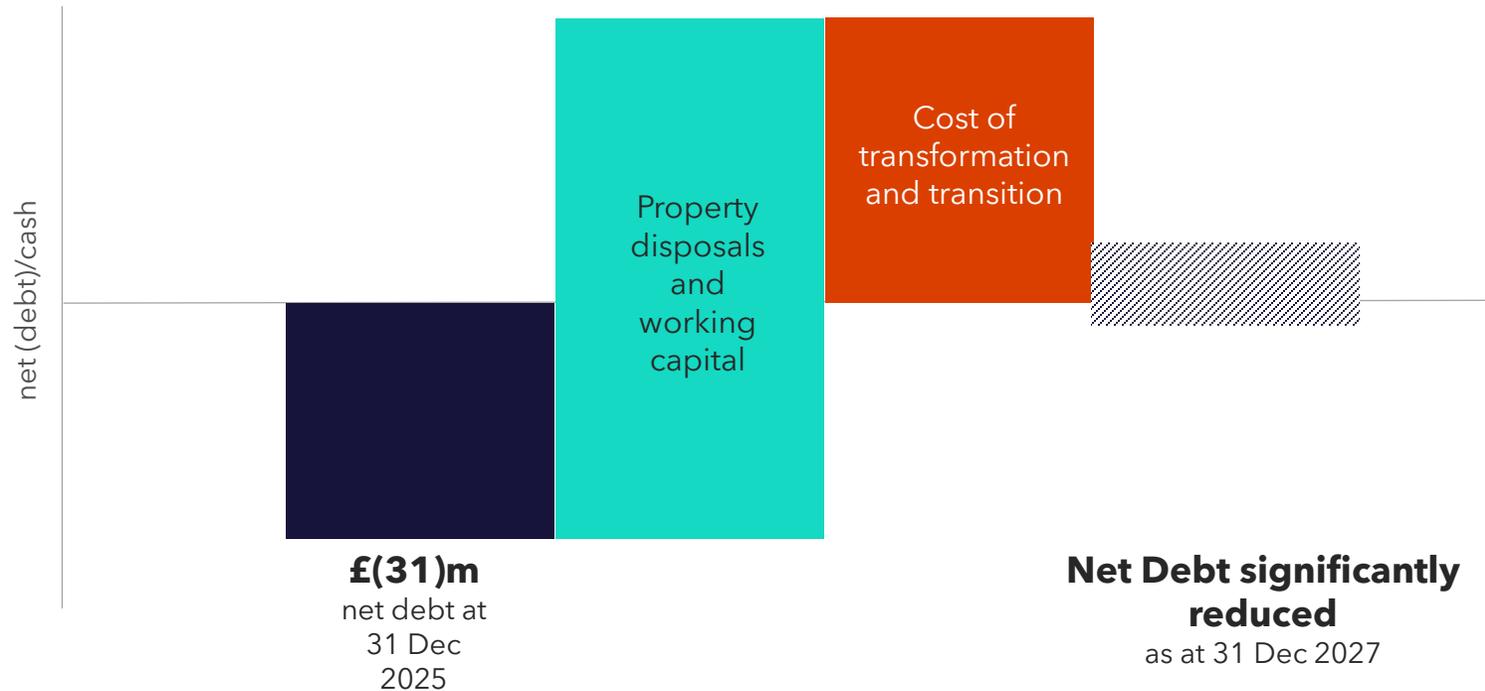
# Q&A



# APPENDIX

# BALANCE SHEET DYNAMICS 2025 - 2027

Property disposals and working capital optimisation fund the turnaround plan leaving the Group with significantly less Net Debt at the end of 2027



*Indicative and not to scale*

Clear plan to ensure balance sheet resilience and optionality

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