



HALF YEAR RESULTS

September 2025

headlam

The leading,
most trusted
experts in flooring

INTRODUCTION



Continued
challenging
market conditions

Good progress on
transformation
plan

Strong balance
sheet

INTRODUCTION

Continued
challenging
market conditions

- Improved trend in Q2 but weak market conditions have continued, reflecting delayed recovery
- This has impacted our core distribution businesses, where revenue has continued to decline
- Continued growth in Trade Counters and Larger Customers has partially offset

INTRODUCTION

Good progress on
transformation
plan

- Transition of 32 businesses into Mercado is fully complete and embedded; a major milestone
- Consolidated 6 Brands sales teams into 1 national team
- Significant network optimisation throughout 2025, focusing on South-East and Midlands
- Acceleration of plan with support from Alvarez & Marsal, particularly focusing on supplier sourcing strategy, centralised buying and network productivity
- Annual profit benefit upgraded to at least £35m
- Decision to sell Continental European businesses to focus on UK

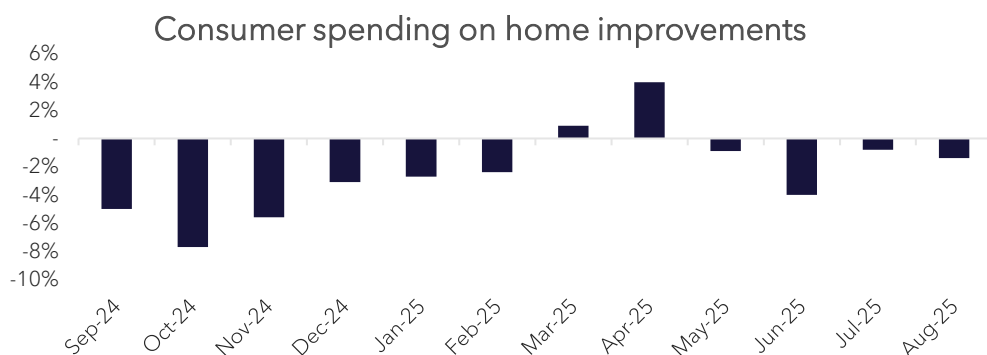
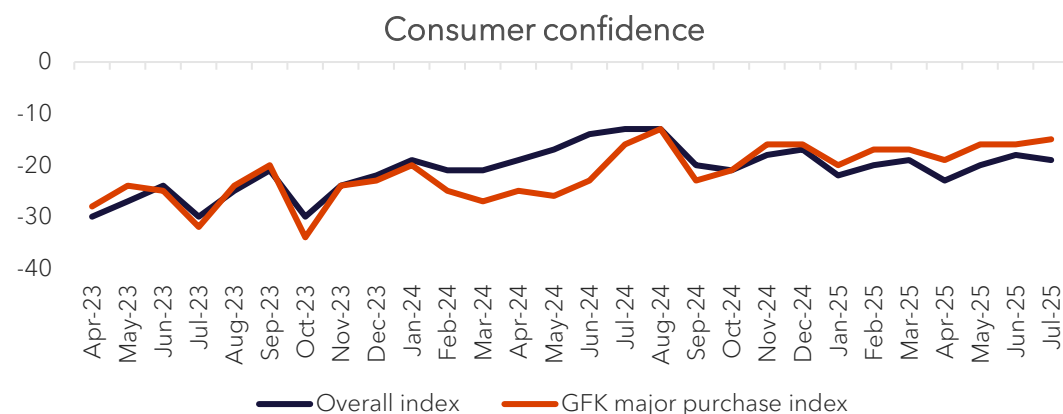


H1 2025 FINANCIAL PERFORMANCE

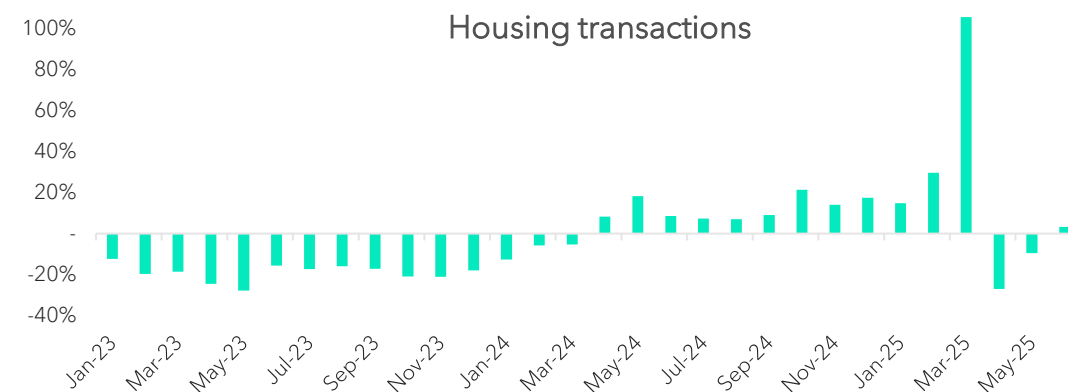
FLOORING MARKET

The flooring market has continued to decline in 2025, but lead indicators continue to be positive

Indicators of year-to-date market performance



Lead indicators



- GfK consumer confidence www.gfk.com/products/gfk-consumer-confidence-barometer
- Barclays consumer spending report www.barclayscorporate.com/insights/industry-expertise/uk-consumer-spending-report/
- UK residential property transactions year-on-year seasonally adjusted: www.gov.uk/government/statistics/monthly-property-transactions-completed-in-the-uk-with-value-40000-or-above
- UK real pay growth: www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/averageweeklyearningsingreatbritain/latest

INCOME STATEMENT

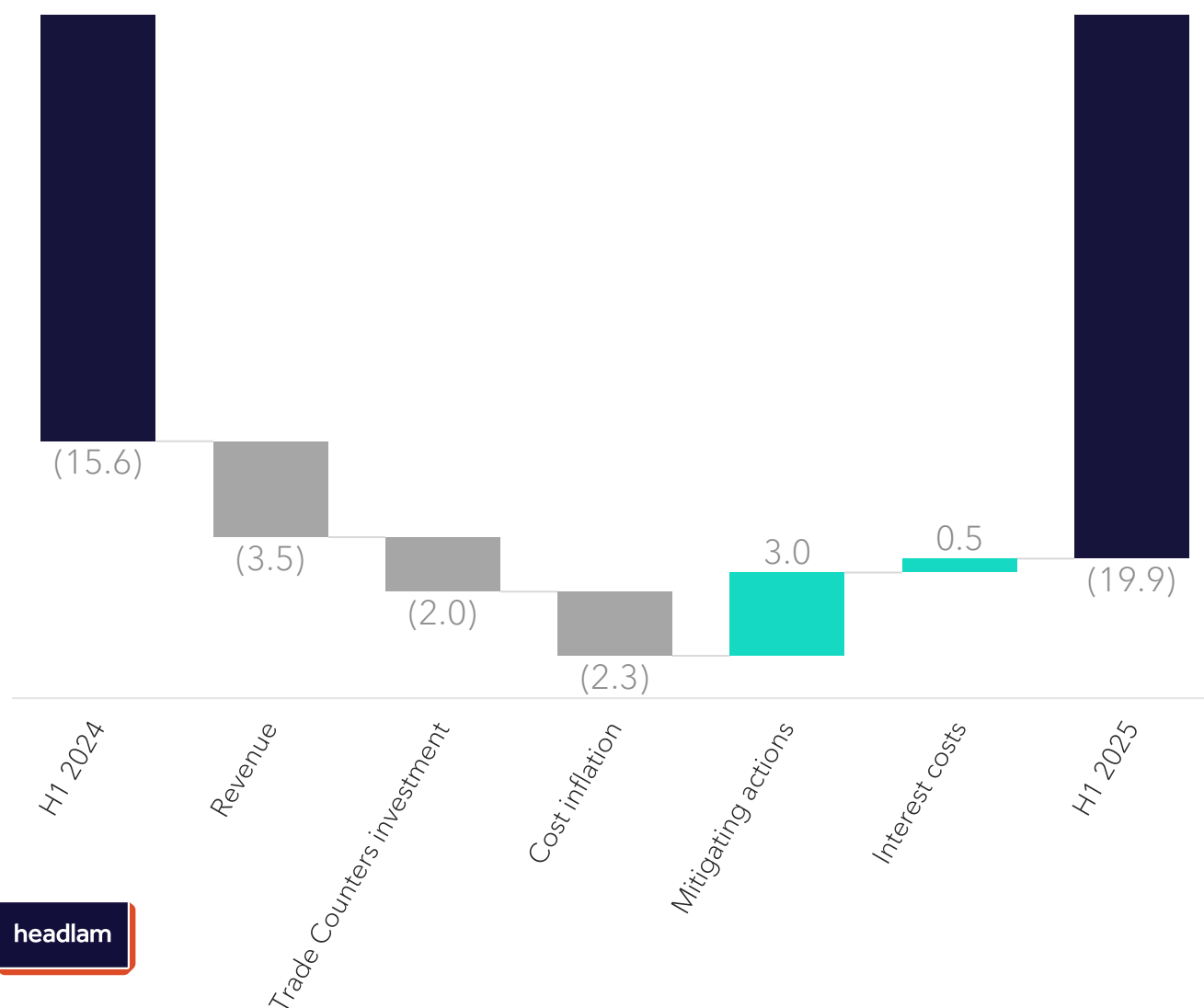
4% revenue decline; underlying loss before tax of £19.9m reflecting cumulative market decline

Underlying result*	H1 2025 £m	% of revenue	H1 2024 £m	% of revenue
Revenue	244.7	100.0%	256.4	100.0%
Cost of sales	(169.4)	(69.2)%	(178.5)	(69.6)%
Gross profit	75.3	30.8%	77.9	30.4%
Distribution costs	(62.2)	(25.4)%	(60.9)	(23.8)%
Administrative expenses	(30.3)	(12.4)%	(29.4)	(11.5)%
Operating loss	(17.2)	(7.0)%	(12.4)	(4.8)%
Net finance costs	(2.7)	(1.1)%	(3.2)	(1.2)%
Loss before tax	(19.9)	(8.1)%	(15.6)	(6.1)%
Tax	4.7		3.5	
Loss from continuing operations	(15.2)	(6.2)%	(12.1)	(4.7)%
Loss from discontinued operations	(2.1)		(1.7)	
Loss for the period	(17.3)	(7.1)%	(13.8)	(5.4)%

- Revenue declined 3.8% on a same-day basis
- Continued growth in Trade Counters and Larger Customers offset by decline in core distribution channels
- Gross margin slightly increased
- Operating costs increased by 2.4% reflecting final investments in new trade counter sites; cost inflation more than offset by transformation plan benefits
- Underlying loss before tax of £19.9m is a reduction of £4.3m – see separate breakdown on next slide
- Reduced net finance costs; the benefit of lower average borrowings offsetting the interest element of additional leases
- Loss from discontinued operations of £2.1m relates to the Continental European businesses

UNDERLYING RESULT BEFORE TAX

Revenue decline and Trade Counters investment were the key factors affecting profit; cost inflation more than offset by transformation plan benefits



- Revenue decline contributed to £3.5m reduction in profit
- The final element of the Trade Counter rollout programme contributed to a £2.0m reduction in profit; the Trade Counter business now moves from rollout to maturation phase and is expected to be profit accretive from 2026
- £2.3m cost inflation including 7% national minimum wage and the increase in employer's NI contributions
- Mitigating actions provided £3.0m of year-on-year benefit and reflected the early benefits of the transformation plan
- £0.5m reduction in interest costs; increased interest element of leases was more than offset by the benefit of lower average borrowings

NON-UNDERLYING ITEMS

A P&L expense of £11.9m, of which £8.2m was cash and £3.7m non-cash

	H1 2025 Cash £m	H1 2025 Non-cash £m	H1 2025 Total £m	H1 2024 Total £m
Continuing operations*				
Amortisation of intangibles	-	(0.5)	(0.5)	(0.6)
Impairment of property, plant and equipment, intangible assets and right of use assets	-	(3.2)	(3.2)	(0.9)
Business restructuring and change-related costs	(5.8)	-	(5.8)	(4.9)
Profit on sale of property, plant and equipment	-	-	-	3.2
ERP system development	(2.4)	-	(2.4)	(0.9)
Non-underlying expense before tax	(8.2)	(3.7)	(11.9)	(4.1)

- £0.5m of amortisation of acquired intangibles, broadly flat year-on-year
- £3.2m impairment relates to goodwill on the Melrose acquisition in 2023
- £5.8m of business restructuring and change-related costs associated with the transformation plan
- £2.4m of ERP development costs - as previously guided, these are being treated as non-underlying during the implementation phase
- Post period end the Tamworth distribution centre was sold for a profit of £6m, which will be presented as a non-underlying income in the full year results

CASH FLOW

Net Debt lower than a year ago; outflow in H1 principally reflects VAT timing on December 2024 property disposals and stock investments

	H1 2025 £m	H1 2024 £m
Underlying EBITDA	(6.7)	(2.8)
Change in inventories	(13.4)	6.6
Change in receivables	(11.1)	12.0
Change in payables	12.2	2.1
Other	0.3	0.4
Underlying Operating Cash Flow	(18.7)	18.3
Interest and tax	2.9	(2.5)
Capital investment	(2.9)	(6.8)
Lease payments	(7.6)	(6.5)
Dividends and acquiring own shares	-	(4.8)
Property disposal	-	7.4
Non-underlying	(8.2)	(2.5)
Discontinued operations	(0.5)	(1.2)
Net cash flow before movement in borrowings	(35.0)	1.4
Net debt	(24.0)	(28.3)

- Underlying Operating Cash Flow was an outflow of £18.7m principally reflecting £10.8m VAT timing (collected on property sales in December 2024 and paid to HMRC in January 2025) and £13.4m investment in stock
- Stock levels expected to reduce in H2 following implementation of the central buying function; further investment in fast-moving lines offset by efficiencies in slower-moving products
- Underlying receivables and payables movements reflect timing and seasonality
- Interest and tax was a £2.9m inflow reflecting refund of corporation tax payments
- £2.9m capital investment of which £2.2m related to the final trade counter investments
- £8.2m outflow in respect of non-underlying items, comprising costs relating to the transformation plan and ERP development
- Net Debt of £24.0m, with £21m of property disposal proceeds received after the period end

BALANCE SHEET

Strong balance sheet underpinned by property and working capital

	June 2025 £m	June 2024 £m
Property, plant and equipment	72.9	125.3
Intangibles	13.4	18.7
Inventories	105.0	124.9
Trade and other receivables	114.0	104.3
Cash	23.2	22.6
Trade and other payables	(142.8)	(134.5)
Borrowings	(49.0)	(50.9)
Other assets and liabilities	17.9	(10.3)
Net Assets	154.6	200.1
Share capital and premium	57.8	57.8
Other reserves	(15.3)	(15.6)
Retained earnings	112.1	157.9
Total Equity	154.6	200.1
Net debt	(24.0)	(28.3)

£24m
Net debt at end of H1⁽¹⁾

£72m
Borrowing facilities

£94m⁽²⁾
property assets
at end of H1

Over £200m
unleveraged inventory
and receivables



UPDATE ON STRATEGY AND TRANSFORMATION PLAN

SIGNIFICANT LONG-TERM MARKET OPPORTUNITY

Headlam operates in a market worth £2.5 to 3 billion in the UK and there are large sections of the market in which Headlam is underweight, providing opportunity for significant growth

£2.5 - 3.0bn UK market⁽¹⁾

Two-thirds residential, one-third commercial

Retailers

Tradespeople
& Fitters

Tier 3
Contractors

Multiple
Retailers

Larger
Housebuilders

Tier 1/2
contractors

Online
(pure online
retailers)

HIGH

HEADLAM WEIGHTING

LOW

STRATEGY ACCELERATION

We are accelerating our existing strategy with a transformation plan to simplify the business

Existing strategy



Transformation plan



- 1 Simplify our customer offer
- 2 Simplify our network
- 3 Simplify how we operate

TRANSFORMATION PLAN PROGRESS

1

Simplify our customer offer

Completed
Consolidated 32 trading businesses into 1 national business
Consolidated 6 Brands sales teams into 1 national team
All customers transitioned successfully to new customer accounts
New sales leadership structure and creation of separate, dedicated residential and commercial flooring sales teams
Launched "order anywhere, collect anywhere"
Invested in market-leading remuneration and incentive packages for our sales teams

In progress
Award-winning point-of-sale refresh for our independent retailer customers
Customer Contact Centre optimisation

TRANSFORMATION PLAN PROGRESS

1 Simplify our customer offer



TRANSFORMATION PLAN PROGRESS

2 Simplify our network

Completed

Optimisation of South-East England: Ipswich DC and Enfield cross-dock closed; Rayleigh DC opened

Consolidation of distribution centres in Glasgow

Consolidation of Midlands operations: Nottingham distribution centre now surplus to requirements

Trade counter investment programme now complete

In progress

Productivity and efficiency improvements

Investment in fast-moving stock to improve customer service

Centralisation of slower-moving lines to improve efficiency

Reduction of trunking¹ to reflect optimised stock holding

Commercial fleet refresh, replacing over 120 vehicles; improving efficiency and fleet flexibility

Optimisation and maturation of trade counters

Optimisation of Bridgend distribution service

TRANSFORMATION PLAN PROGRESS

3

Simplify how we operate

Completed

Consolidation of Finance functions to support customer simplification

In progress

Integrated supplier sourcing strategy and consolidation

Harmonisation of range and product to create a Headlam offer

Centralised buying function

Overhead efficiency from simplified business model

TRANSFORMATION PLAN BENEFITS

We have upgraded our annual profit benefit target to £35m+

Target upon completion		
Annual profit improvement	£35m+	<ul style="list-style-type: none">• Net of reinvestment in enhancing our customer proposition• Cost savings and margin benefits from centralised buying and ranging
Gross one-off cash benefit	£90m+	<ul style="list-style-type: none">• Disposal of property• Working capital optimisation



OUTLOOK & SUMMARY

SHORT-TERM OUTLOOK

Market remains weak, albeit lead indicators continue to be positive

Market remains weak

- The market has continued to decline in 2025, with indications that recent months have been a bit weaker
- Headlam revenue broadly flat in June and July; August slightly weaker

Lead indicators are more positive for market improvement but timing still uncertain

- Lead indicators for consumer spending on home improvements continue to be positive: housing transactions and real pay in growth
- With such a pronounced decline in the market, there is expected to be an element of deferral by consumers, benefitting the market in the medium term
- However, consumer confidence remains fragile and this brings uncertainty to the timing of market improvement

LONG-TERM OUTLOOK

There is a material profit opportunity from the combination of the existing strategy, the transformation plan and market improvement

Implementation of
existing strategy



Transformation
plan



Market
improvement

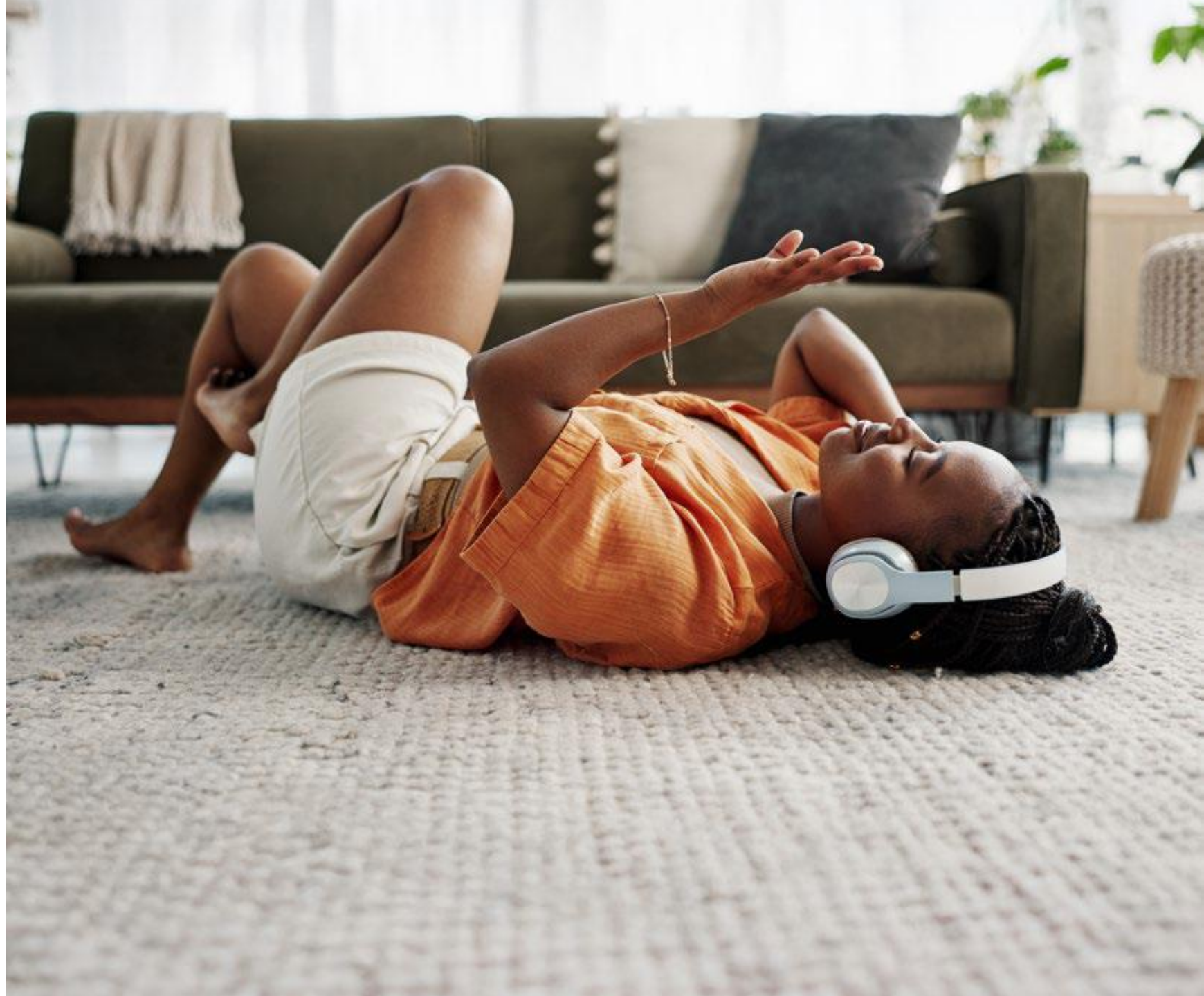
Q&A



Chris Payne
Chief Executive



Adam Phillips
Chief Financial Officer





APPENDIX

ABOUT US

Long heritage; strong and broadening foundations

Over 30 years of operating excellence

- Knowledgeable and long serving colleagues
- Servicing a large and diverse trade customer base
- Long established supplier relationships across the globe

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

Nationwide network and operations

- Next day delivery from extensive distribution network
- Order anywhere, collect anywhere from c.80 trade counters
- Ability to service all sizes of customers from independent retailers to national retailers and housebuilders

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

