2024 FULL YEAR RESULTS

March 2025

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The leading,
most trusted
experts in flooring

Chris Payne
Chief Executive

Adam Phillips
Chief Financial Officer

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INTRODUCTION

Transformation plan progressing well

Continued growth from strategic initiatives

Controlling the controllables and balance sheet strengthened

Challenging market conditions weigh on performance

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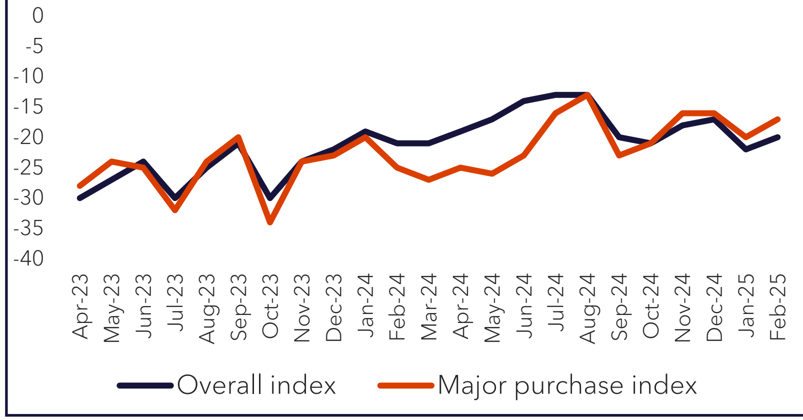
2024 FINANCIAL PERFORMANCE

FLOORING MARKET

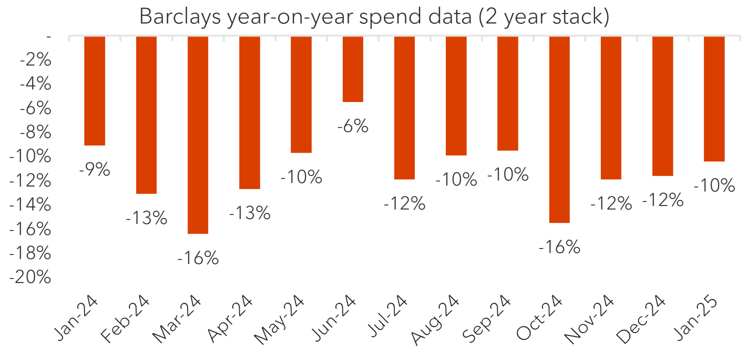
2024 was the third consecutive year of volume decline in the flooring market

Market indicators

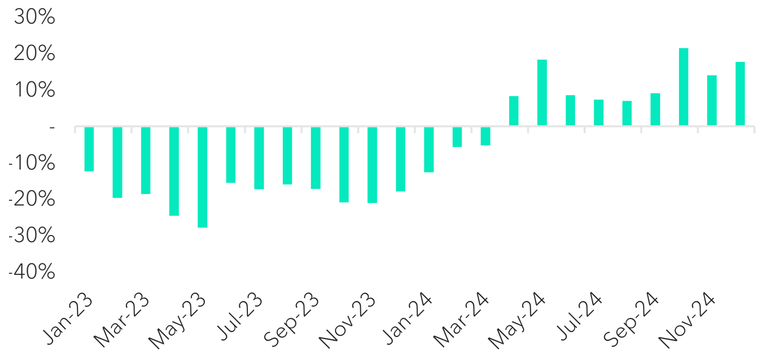
Consumer confidence



Consumer spending on home improvements



Housing transactions



Impact

Three
consecutive years of decline in flooring market volume

9%
year-on-year decline in Headlam UK revenue in 2024

Maintained
market share in Headlam UK

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Sources:
- 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

REVENUE

Continued growth in strategic growth initiatives offset by decline in Regional Distribution and Continental Europe

	2024 £m	2023 £m	Year-on-year %
Regional Distribution	315.5	375.4	(16.0)%
Larger Customers	81.8	78.7	3.9%
Trade Counters	104.3	97.1	7.4%
Other	24.1	26.1	(7.7)%
UK	**525.7**	**577.3**	**(8.9)%**
Continental Europe	67.4	79.2	(14.9)%
Group	**593.1**	**656.5**	**(9.7)%**

- Decline in Regional Distribution principally driven by weak residential market
- Continued growth in strategic initiatives of Larger Customers and Trade Counters, despite weak end-consumer demand in multiple retailer customers
- Significant change in Larger Customers channel in 2024 with three retailers dropping out of the market [(1)]
- Trade Counter revenue in good growth; investments performing in line with business case despite market headwinds
- Revenue decline in ceramics specification businesses (shown as "other" in the table) as timing of major projects was deferred
- UK market share maintained
- In Continental Europe the market conditions were even more severe than in the UK; revenue declined 14.9%

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(1) Carpetright and Homebase entered administration in 2024; SCS made a strategic decision to exit the flooring category

INCOME STATEMENT

Continued market decline, cost inflation and lack of price inflation results in a loss for the year

	2024 £m	% of revenue	2023 £m	% of revenue
Revenue	593.1	100.0%	656.5	100.0%
Cost of sales	(415.5)	(70.1)%	(448.7)	(68.3)%
Underlying Gross Profit	**177.6**	**29.9%**	**207.8**	**31.7%**
Distribution costs	(138.0)	(23.3)%	(131.3)	(20.0)%
Administrative expenses	(66.9)	(11.3)%	(60.8)	(9.3)%
Other operating income	-	-	0.4	0.1%
Underlying Operating (Loss)/Profit	**(27.3)**	**(4.6)%**	**16.1**	**2.5%**
Net finance costs	(7.0)	(1.2)%	(5.1)	(0.8)%
Underlying (Loss)/Profit Before Tax	**(34.3)**	**(5.8)%**	**11.0**	**1.7%**
Non-underlying items	(7.2)	(1.2)%	(3.9)	(0.6)%
Statutory (Loss)/Profit before tax	**(41.5)**	**(7.0)%**	**7.1**	**1.1%**
Basic (Loss)/Earnings Per Share	(31.2)p		9.6p	
Underlying Basic (Loss)/Earnings Per Share	(35.0)p		11.0p	
Interim dividend	-		4.0p	
Final dividend	-		6.0p	

- Group revenue -9.7%; UK revenue 8.9% and Continental Europe -14.9%
- Continued growth in Trade Counters and Larger Customers offset by decline in Regional Distribution
- Gross margin 180bps lower, predominantly due to stock clearance, rebates and mix
- Operating costs increased by 6.9%, reflecting cost inflation and Trade Counters investments, partially offset by mitigating actions
- Interest costs of £7.0m increased by £1.9m reflecting the higher average borrowings during the year, prior to the property disposals in December
- Underlying loss before tax of £34.3m
- £7.2m of non-underlying expenses

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NON-UNDERLYING ITEMS

A net P&L expense of £7.2m, but a net cash inflow of £48.5m due to property sale proceeds

	2024 Cash £m	2024 Non-cash £m	2024 Total £m	2023 Total £m
Amortisation of intangibles	-	(1.3)	(1.3)	(2.3)
Impairment of assets	-	(4.7)	(4.7)	(5.9)
Business restructuring and change-related costs	(10.2)	(9.5)	(19.7)	(5.4)
Profit on sale of property	61.3	(40.2)	21.1	1.1
ERP system development	(2.6)	-	(2.6)	-
Insurance proceeds	-	-	-	8.6
Non-underlying income / (expense) before tax	48.5	(55.7)	(7.2)	(3.9)

- Asset impairments of £4.7m relating to network optimisation initiatives along with the write-down of inventory and receivables related to Homebase administration process
- £19.7m of business restructuring and change-related costs associated with the transformation plan, of which:
  - £10.2m cash costs and principally comprised severance payments, the relocation and dual-running costs associated with the transfer from Ipswich to Rayleigh, and advisor fees
  - £9.5m non-cash impact of stock write-downs
- Property disposals generated £61.3m cash proceeds and £21.1m profit
- £2.6m of costs incurred on the new ERP development

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CASH FLOW

Good operating cash generation; net cash position at the end of the year

	2024 £m	2023 £m
Underlying EBITDA	(5.4)	36.7
Change in inventories	17.6	10.0
Change in receivables	3.7	2.7
Change in payables	10.7	(24.0)
Other	1.0	0.6
Underlying Operating Cash Flow	**27.6**	**26.0**
Interest and tax	(7.2)	(9.1)
Acquisition of subsidiary, net of cash acquired	-	(6.1)
Capital investment	(10.6)	(18.2)
Lease payments	(12.9)	(13.0)
Dividends and acquiring own shares	(4.8)	(17.4)
Property disposal and insurance settlement	61.3	10.4
Non-underlying	(12.8)	(3.9)
Movement on Net Cash / (Debt)	**40.6**	**(31.3)**
Closing Net Cash / (Debt)	10.9	(29.6)

- Good operating cash generation with Underlying Operating Cash Flow of £27.6m
- Inventories lower by £17.6m (prior to movement on stock provisions), reflecting actions to reduce stock levels
- Receivables lower, resulting in cash inflow, due to movement in revenue
- Payables higher, reflecting VAT payable on Q4 property disposals
- Capital investment of £10.6m including £4.0m trade counters, £1.4m on Rayleigh fit-out and £0.7m solar panels
- £4.8m dividend payments in respect of the 2023 final ordinary dividend
- £61.3m of cash inflow from disposal of properties in the year (net of agent fees)
- £12.8m outflow in respect of other non-underlying items, comprising costs relating to the transformation plan and ERP development

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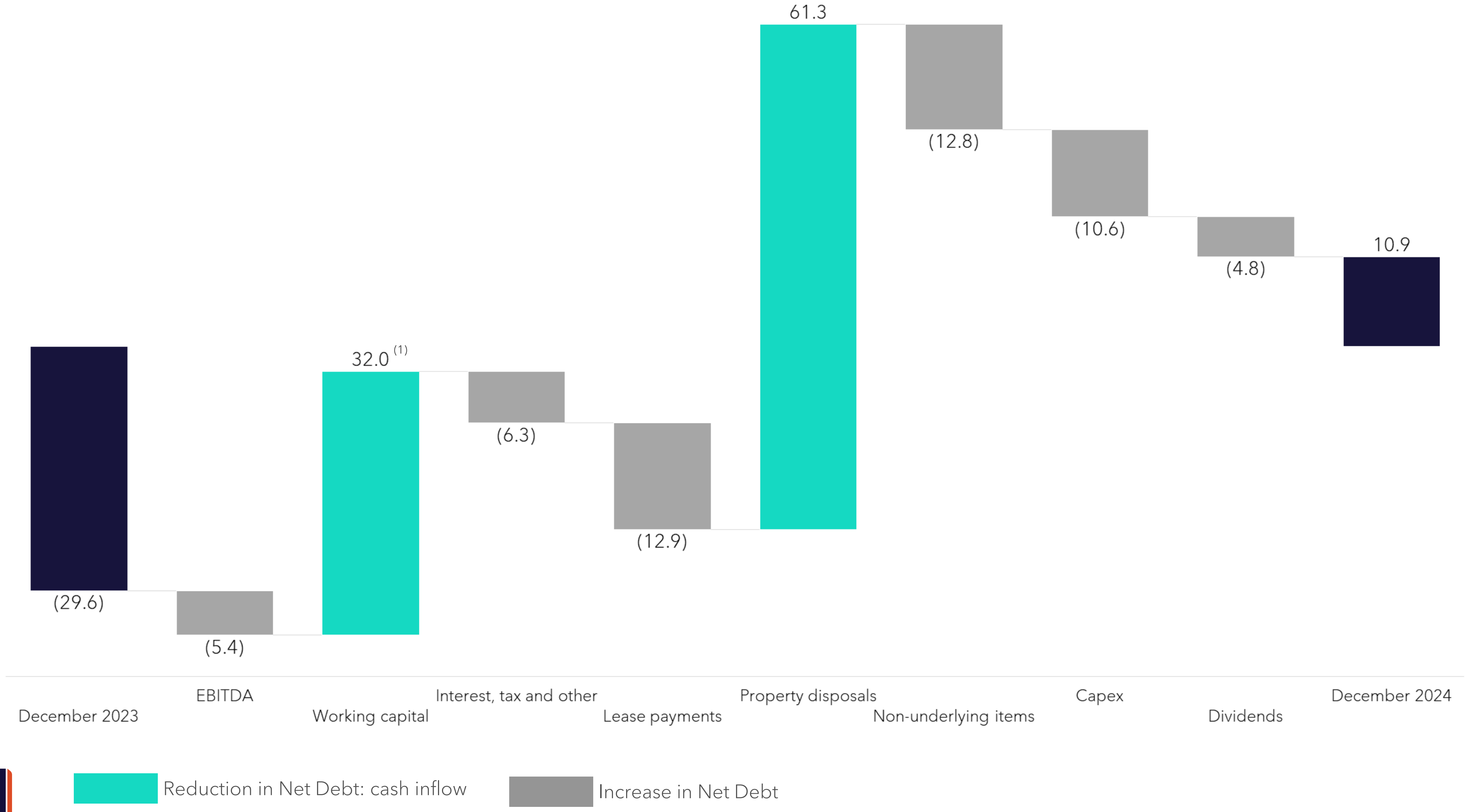
MOVEMENT IN NET DEBT

Net Cash at December 2024, reflecting working capital management and property disposal proceeds



(1) Includes £10.8m of VAT timing benefit from VAT collected on property disposals in December and paid over to HMRC in January

PROPERTY DISPOSALS

Five properties sold in the year at an average 68% premium to book value

	Transaction month	Transaction type	Disposal proceeds (2) £m	Premium to book value %	Premium to previous market valuation (3) %
Stockport	Jun 2024	Vacant sale	7.4	81%	13%
Uddingston	Dec 2024	Vacant sale	3.1	82%	35%
Ipswich	Dec 2024	Vacant sale (1)	22.0	20%	15%
Gildersome	Dec 2024	S&LB	9.4	56%	15%
Leeds	Dec 2024	S&LB	19.4	213%	15%
Total			61.3	68%	16%

- Total cash proceeds, net of agent fees, of £61.3m
- Average 68% premium to book value
- Average 16% premium to the Group's previous formal market valuation in January 2023
- Stockport, Uddingston and Ipswich were surplus properties and sold on a vacant basis
- Gildersome and Leeds were sold and then leased back
- Implied yield of 7.2% on the leaseback rents, equivalent to the Group's cost of borrowing on the revolving credit facility
- As at 31 December 2024 the Group owned property with a book value of £66.5m and a market valuation[3] of £93.9m

Notes:
(1) Ipswich was sold with a short-term leaseback for two months whilst we fully vacated the property
(2) Net of agent fees
(3) The formal January 2023 market valuation of the Group's properties
(4) The premium to book value and premium to previous market valuation are based on gross proceeds, prior to agent fees

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BALANCE SHEET

Strong balance sheet underpinned by property portfolio and working capital

	December 2024 £m	December 2023 £m
Property, plant and equipment	91.7	127.6
Intangibles	17.6	19.4
Inventories	102.8	131.5
Trade and other receivables	111.0	117.1
Cash	12.0	21.1
Trade and other payables	(139.2)	(129.1)
Borrowings	(1.1)	(50.7)
Other assets and liabilities	(3.8)	(16.5)
Net Assets	**191.0**	**220.4**
Share capital and premium	57.8	57.8
Other reserves	(15.5)	(15.5)
Retained earnings	148.7	178.1
Total Equity	**191.0**	**220.4**
Net cash/(debt) pre lease liabilities	10.9	(29.6)

£10.9m
net cash at the end of 2024 [1]

£72m
total borrowing facilities

£94m [2]
property assets

Over £200m
unleveraged inventory and receivables

Pension buy-in transaction completed in March 2024

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Notes:
(1) Prior to lease liabilities
(2) As of the formal January 2023 market valuation of the Group's properties

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

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Notes:
(1) Management estimate based on external data including MTW Research, LEK and NSA

STRATEGY ACCELERATION

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

Existing strategy	+	Transformation plan

Purpose How we make a positive difference	Creating great places for our communities to live, work and play
Vision How we want to be seen	The leading, most trusted experts in flooring
Areas of focus How we will achieve our vision	Maximising sales through great service, solutions, pricing and range; Developing new opportunities for future growth; Improving our operational capabilities and effectiveness; Leading on sustainability and environmental responsibility; Making Headlam a great place to work

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

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TRANSFORMATION PLAN PROGRESS

1 Simplify our customer offer

- ✓ Consolidated 32 trading businesses into 1 national business
- ✓ 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
- ✓ Consolidated 32 online ordering portals into 1

2025 focus

- Optimisation of consolidated online ordering portal
- Major point-of-sale refresh commences March 2025

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PART OF THE HEADLAM GROUP

TRANSFORMATION PLAN PROGRESS

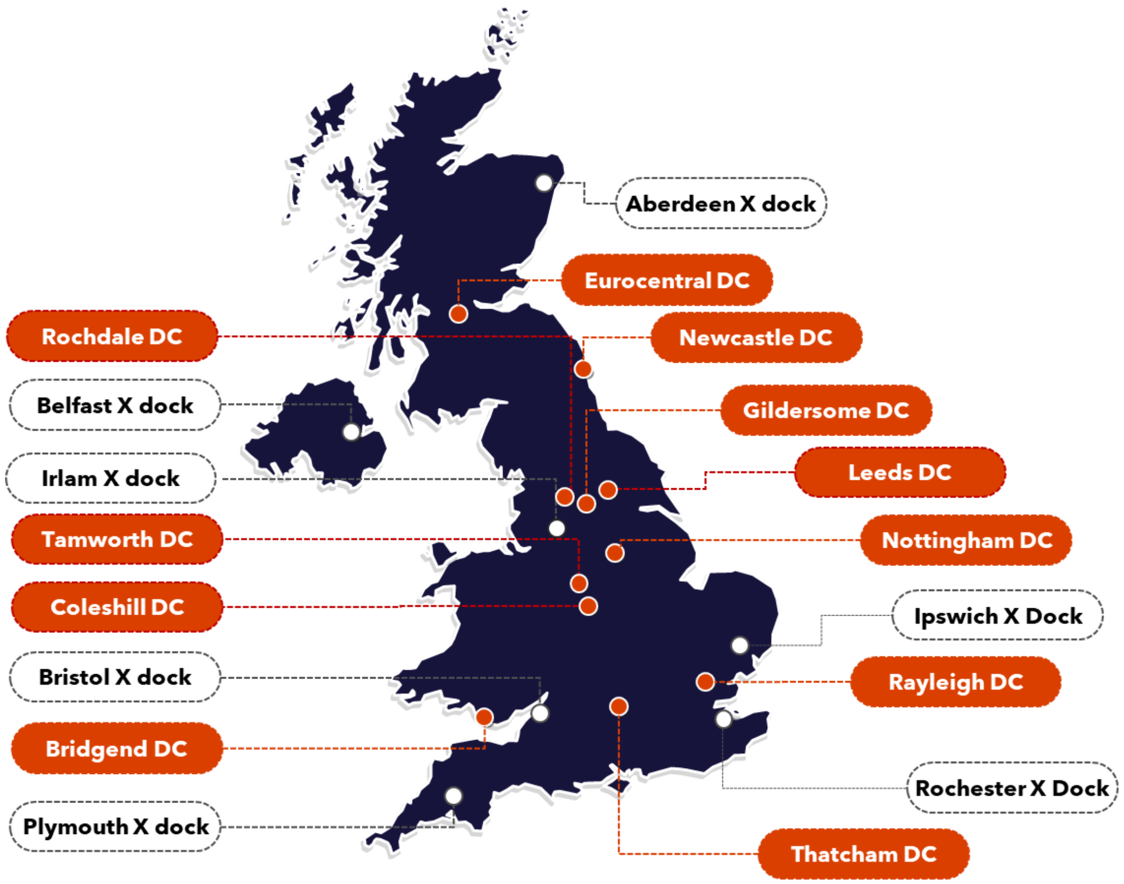
2 Simplify our network

- ✓ Optimisation of North West England: Stockport DC closed and sold; replaced with cross-dock in Irlam
- ✓ Consolidation of Scotland DC's; one site closed
- ✓ Optimisation of South East England: Ipswich DC and Enfield cross-dock closed; Rayleigh DC opened

2025 focus

- Continual review of opportunities to optimise network
- Optimisation of stockholding location; improving availability and service

Headlam's UK network as of December 2024



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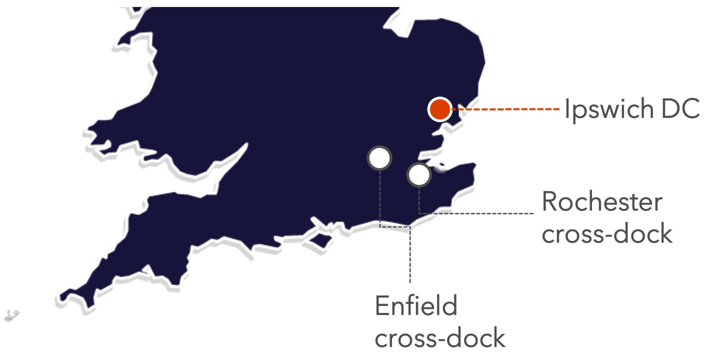
TRANSFORMATION PLAN PROGRESS

2 Simplify our network

South-East England network optimisation already completed

Before



After

Benefits

- Better location for our customers
- More efficient footprint
  125k sq ft rather than 210k sq ft
- Slightly lower operating cost
  including the impact of leasing Rayleigh
- Releases capital
  through the disposal of Ipswich property

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TRANSFORMATION PLAN PROGRESS

3 Simplify how we operate

- ✓ Centralisation of supporting functions completed in Q1 2025
- ✓ Unified product file
- ✓ Re-tender of contracts for non-stock expenditure

2025 focus

- Removal of range duplication
- Leveraging scale; consolidated buying and ranging activities

Simpler customer offer

Simpler network

Simpler supporting processes

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TRANSFORMATION PLAN BENEFITS

We have upgraded our targets to £25m of profit improvement and £90m+ of one-off cash benefits

	Original guidance in September 2024	Latest targets	
Annual profit improvement	£15m+	£25m	• Net of reinvestment in enhancing our customer proposition • Principally comprises cost savings. Also includes margin benefits from centralised buying and ranging
Gross one-off cash benefit	£70m+	£90m+	• Disposal of property • Working capital optimisation
One-off cash costs (3)	£25m	£30m	• Includes restructuring and relocation costs, fit-out of new sites, advisory / consultancy costs, and investment in point-of-sale materials, such as display stands

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TRANSFORMATION PLAN BENEFITS

These benefits are targeted to be delivered as set out in the phasing below

	2024	2025	2026	2027
Cumulative annual profit benefit (1)	-	£10m	£15m+	£25m
Cumulative gross one-off cash benefit (2)	£57m	£80m+	£90m+	£90m+
Cumulative one-off cash costs (3)	£9m	£19m	£25m	£30m

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Notes:
(1) Once fully implemented, the transformation plan is targeted to deliver £25m of profit improvement compared to 2024 as a base year. The table above shows the phasing of delivery of this £25m profit improvement
(2) This is the cumulative one-off cash benefit from property disposals and working capital optimisation from 1st July 2024 onwards, being the point at which the transformation plan commenced internally
(3) These are the one-off cash costs incurred since 1st July 2024 in implementing the transformation plan

OUTLOOK & SUMMARY

SHORT-TERM OUTLOOK

Market has remained weak into 2025 but expected to improve

Current trading: 6% revenue decline in January and February

- So far in 2025, consumer spending on home improvements has remained negative despite weak comparatives
- Group revenue for January and February was 6% below the previous year

Lead indicators point to market recovery but timing uncertain

- However, the lead indicators and external forecasts (for flooring and related markets) continue to point to the flooring market returning to modest growth in 2025
- Timing and pace of recovery remains highly uncertain
- In 2025 we start to see the in-year contribution from the transformation plan

LONG-TERM OUTLOOK

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

Existing strategic initiatives to broaden the base

\+

Transformation plan

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Market recovery

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SUMMARY

Transformation plan progressing well

Continued growth from strategic initiatives

Controlling the controllables and balance sheet strengthened

Challenging market conditions weigh on performance

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Q&A

Chris Payne
Chief Executive

Adam Phillips
Chief Financial Officer

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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

Nationwide network and operations

- Next day delivery from extensive distribution network
- Growing number of trade counter collection sites (76 at end of 2024)
- Ability to service all sizes of customers from independent retailers to national retailers and housebuilders

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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TECHNICAL GUIDANCE

Capex

- £6-7m in 2025. This compares to £10.6m in 2024 and £18.2m in 2023

ERP development costs

- c.£5m in 2025, following £2.6m of costs in 2024. In 2025 we move into the design and build phase of the project

Tax rate

- 2025 tax credit of circa 20%

Interest costs

- In 2024, interest costs principally comprised £4.5m of interest on borrowings and £2.5m interest on lease liabilities. Following the addition of the new Rayleigh distribution centre, which is leased, and the sale and leaseback of the Gildersome and Leeds properties, along with the further rollout of leased trade counter units, the interest on lease liabilities is expected to be £3.5m to £4.0m in 2025

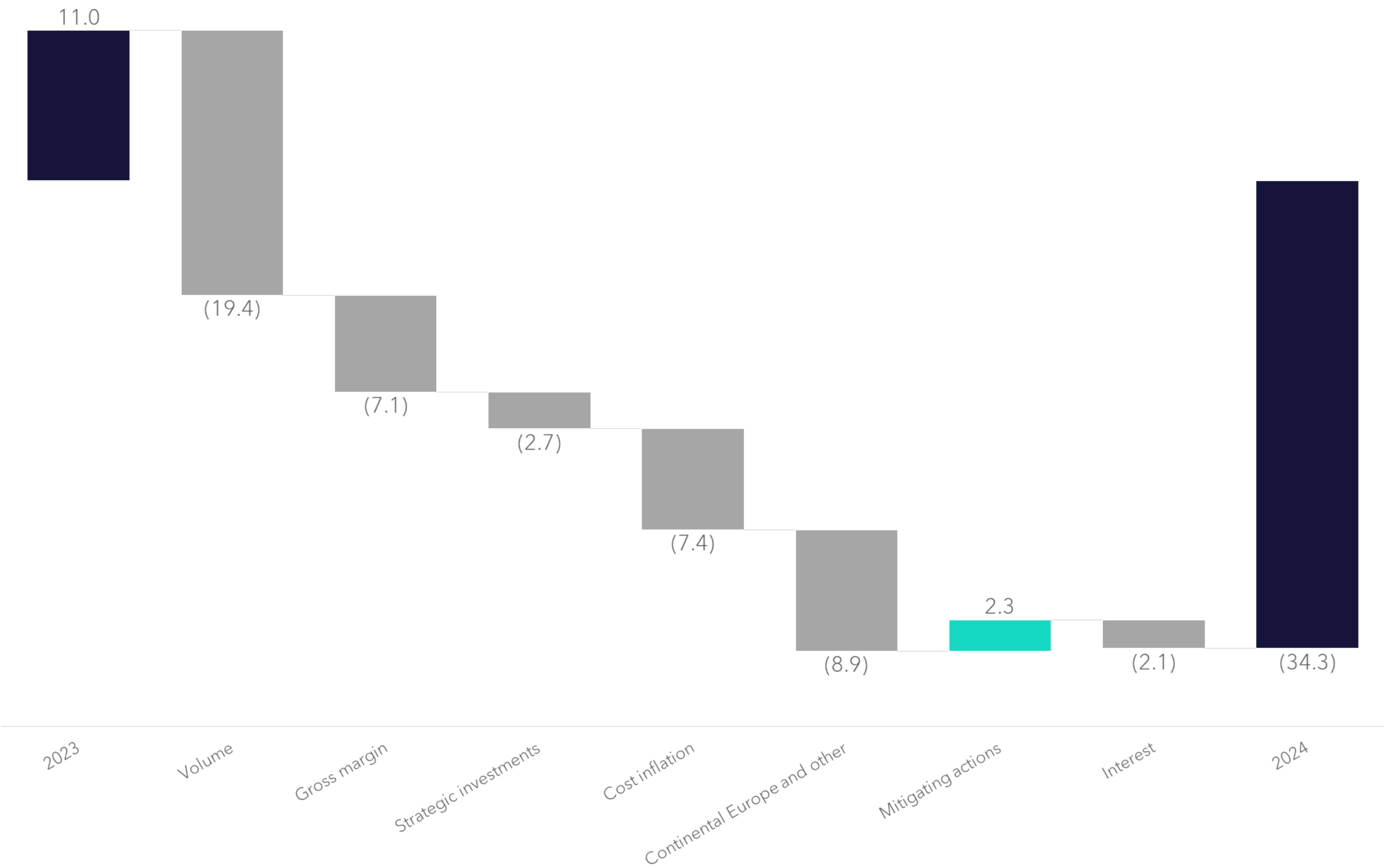
Pensions

- Liability of £1.5m recognised at the end of 2024. This is in respect of the remaining liabilities from the buy-in transaction which are expected to be fully settled by the end of 2026

- We expect to complete the full buy-out of the scheme around the end of 2026, after which the pension scheme will be fully disposed of and will not be recorded on the Group's balance sheet

UNDERLYING PROFIT/(LOSS) BEFORE TAX

Market decline and cost inflation, combined with a lack of price inflation, were the key factors



- UK volume decline, reflecting weak residential market, contributed to £19m reduction in profit
- Gross margin movement had a £7m profit impact, principally due to clearance, rebates and mix; lack of price inflation in the market for the second year in a row
- £2.7m profit impact from strategic investments to support future revenue growth; principally trade counter rollouts
- Cost inflation of £7.4m principally driven by people costs (10% increase in national minimum wage in UK)
- Market weakness in Continental Europe reduced profit by £2.6m and there was further impact from other items including non-repeat of one-off benefits in 2023
- Mitigating actions provided £2.3m of benefit

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INVESTMENT CASE

Long heritage; strong and broadening foundations

1 Market leader with unrivalled scale and convenience

- Next day delivery from extensive distribution network
- Growing number of trade counter collection sites
- Ability to service all sizes of customers
- Broadest and largest product range, including exclusive own brands

2 A strategy for growth through broadening the base

- £2.5 to 3bn UK market
- Large segments of the market that Headlam is underweight in
- Trade Counter and Larger Customer strategy to serve these customers better
- Core market has declined materially in last three years providing good cyclical recovery underpin

3 Opportunity to further simplify and modernise the business

- Headlam was built through acquisitions of regional distributors
- Opportunities to further simplify and modernise the business, to remove complexity and better serve our customers, unlocking £25m of profit improvement
- ERP replacement programme, replacing 20+ year old system

4 Financial strength

- Strong asset backing, including £94m of property assets
- Transformation plan to release £90m+ of capital
- Good underlying cash generation characteristics
- £72m of borrowing facilities provided by supportive bank syndicate