

Topps Tiles

Laying the groundwork for higher growth

Topps Tiles' (TPT's) diversification into larger addressable markets with more trading brands means it is well-placed to service more products to more customers in more sectors, and with greater efficiency given the associated investment in operations. There has been good progress with the Mission 365 growth initiatives, albeit these were somewhat masked by a tough trading environment in FY24. Our multiple valuation methods confirm similar upside to the current share price, to at least 111p/share, even at the conservative end of management's financial goals.

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
9/23	262.7	13.9	4.77	3.60	7.3	10.3
9/24	251.8	7.2	2.68	2.40	13.0	6.9
9/25e	292.2	9.3	3.38	2.60	10.4	7.4
9/26e	313.4	12.8	4.67	3.00	7.5	8.6

Note: PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Ambitious growth strategy

The core elements of management's ambitious Mission 365 growth strategy are: expanding into new and complementary product categories while continuing to take share in its existing markets; modernising the trade customer's digital experience to improve their loyalty and spend; enhancing its presence with commercial customers by leveraging its broad portfolio of brands; and further developing its newer online businesses that reach new customers. A more favourable trading environment, with year-on-year revenue growth in the first three quarters of FY25, is obviously helpful.

Financial goals increased: High organic growth

With the H125 results, management updated the range of medium-term financial goals, which it believes are achievable under Mission 365, incorporating the new expected contribution from CTD Tiles. If delivered, the financial goals suggest a five-year CAGR for revenue of at least 8% and for adjusted PBT of at least 37% from the FY24 base, with some back-end loading in the goals. In this note, we recognise that the prolonged review of the CTD acquisition by the Competition and Markets Authority (CMA) and the resulting lack of management control has delayed the anticipated financial benefits of the acquisition. We therefore reduce the expected profitability from CTD in FY26 to a margin of 2.5% from management's initial indication of 5%. Management remains confident that CTD can achieve a similar level of profitability to the rest of the group (an adjusted PBT margin of 8–10%) so it will be an important driver of TPT's results.

Valuation: Appears attractive on all measures

We have looked at TPT's valuation from a number of perspectives, all of which point to similar upside to the current share price. Our DCF, which includes estimates at the low end of TPT's financial goals, indicates a fair value of 116p/share. A comparison of peer multiples and profitability indicates a fair value of at least 112p/share if TPT achieves the low end of its financials goals. A similar comparison of the company's prospective valuation and profitability versus its trading history indicates a fair value of at least 111p/share. Achieving more than the low end of the Mission 365 goals would boost the indicated valuations further.

Company outlook

Retail

27 August 2025

Price 35.00p
Market cap £69m

Net cash/(debt) at 31 March 2025 £(1.2)m
(excluding IFRS 16 liabilities of £96.3m)

Shares in issue 196.6m

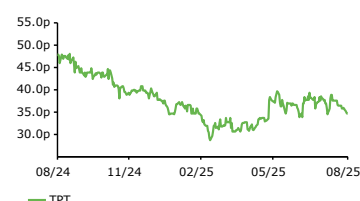
Free float 70.2%

Code TPT

Primary exchange LSE

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	6.3	21.5	(10.5)
52-week high/low		46.5p	27.9p

Business description

Topps Tiles is the market-leading specialist retailer/distributor of wall and floor tiles, and associated products such as tools, grouts and adhesives, to its retail, trade and commercial customers in the UK.

Next events

FY25 trading update	1 October 2025
FY25 results	2 December 2025

Analyst

Russell Pointon +44 (0)20 3077 5700

consumer@edisongroup.com

[Edison profile page](#)

Topps Tiles is a research client of Edison Investment Research Limited

Investment summary

Company description: Expanding in larger markets

Management believes TPT's competitive strengths of having a market-leading, omni-channel proposition (in a market with limited disruption from technology), nationwide coverage, specialist expertise in ranging and sourcing of products, world-class customer service and diverse market exposure should enable it to continue to take market share and expand into new and complementary product categories. TPT has an ambitious updated growth strategy, which includes further improving the productivity of the store base and leveraging its product expertise into other markets such as online and commercial.

Financials: Management targeting significant organic increase in profitability

Following a challenging FY24, TPT has demonstrated sales progress in the first nine months of FY25, which is encouraging. Given the disruption to taking full management control of CTD, management will exclude CTD's results when reporting adjusted financials for the group in FY25, as it did in FY24. On an underlying basis, we forecast c 4% revenue growth in FY25 before revenue growth of c 7% in FY26. The c 8% revenue CAGR required to meet the Mission 365 goal by FY29 (we assume five years from FY24) implies stronger revenue growth beyond FY26. When combined with TPT's high operational gearing, we forecast c 31% growth in adjusted PBT in FY25 to £8.3m and 37% growth in FY26 to £11.4m, indicating significant growth thereafter to reach management's minimum adjusted PBT of £30m in FY29. Following the re-introduction of dividends in FY21, we assume a gradual increase in the annual dividend from 2.4p/share in FY24 to 2.6p/share in FY25 and 3.0p/share in FY26. Having paid out 100% of adjusted earnings as dividends in FY24, we assume a gradual reduction in the payout ratio towards achieving management's policy of a 67% payout ratio in FY27, ie beyond our explicit forecast period.

Valuation: Strong upside potential supported by DCF and multiples

We look at TPT's valuation from three perspectives. First, our DCF-based model derives a valuation of 116p/share (see Exhibit 23). We strike our estimates relatively cautiously versus the Mission 365 goals, with adjusted PBT of c £31m in FY29, just above management's indicated minimum of £30m and versus a range of £29–40m if guidance for the financial goals is taken literally. The upside would be even greater if the higher financial goals are achieved. Second, we compare TPT's prospective multiples and growth rates with its quoted peers. Despite offering better-than-expected revenue growth and comparable profitability, TPT trades at a discount to its peers and offers a far superior dividend yield. We demonstrate that there is a strong correlation between valuation multiples and profitability for the peers (see Exhibit 25), suggesting significant upside to 112–169p/share at current prices if TPT delivers its financial goals (see Exhibit 26). It is interesting that the low end of this valuation range is consistent with our DCF-based valuation, which is derived using forecasts at the conservative end of management's financial targets. Finally, when comparing TPT's prospective valuation and estimated profitability, we see a large disconnect versus its historical multiples and levels of profitability (see Exhibit 27). Applying more appropriate historical multiples to our FY26 estimates, which do not factor in all the potential upside from Mission 365, also indicates upside to 111–127p/share (see Exhibit 28).

Sensitivities: Macroeconomic, execution, M&A and shareholder

Given the nature of its product and customer bases, TPT is exposed to macroeconomic cycles and trends in spend on housing and projects. It is also developing multiple new business verticals, with a good, but not perfect, track record. Aspirations to move into further niche, but complementary, markets present further execution risks. An active majority (29.8%) shareholder that has been very vocal about potential change represents an overhang to the share price, given it has not been successful in gaining representation on the board due to conflicts of interest with its trading businesses. The majority of TPT's products are sourced overseas and it is therefore exposed to foreign currency changes versus sterling. Readers should note that the current CEO and CFO will leave TPT by the end of 2025 and in September 2025, respectively, which presents the risk of a change in strategy and/or financial goals by the new management team.

Company description: Market-leading specialist

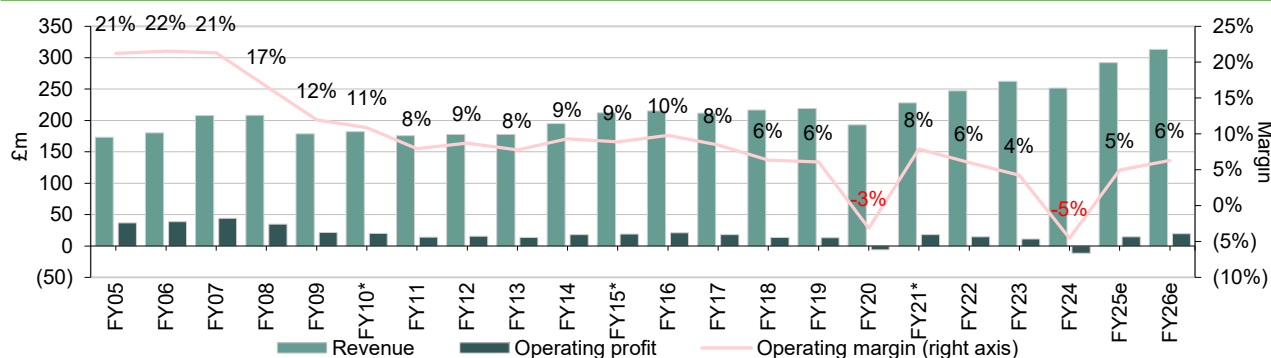
Topps Tiles (TPT) is the market-leading specialist retailer and distributor of hard wall and floor (internal and external) coverings, and related products (such as tools, grouts and adhesives) to retail, trade and commercial customers (architects, designers and contractors) in the UK.

We described the development of the company in our [initiation note](#). In summary, since its IPO in June 1997, TPT has grown its Topps Tiles store base and taken market share on a relatively consistent basis. Since 2017, it has increased its addressable market on several occasions so that it services the needs of commercial operators across many sectors, in addition to its core customers (tradespeople and homeowners). In its most recent strategy update, as part of Mission 365, TPT announced it has entered new product categories in complementary verticals: hard wall and floor surface coverings and related products.

Structural growth drivers include the increasing use of tiles in more rooms in a house, the health and hygiene benefits of tiles versus soft flooring, the growing use of under-floor heating systems and rising consumer interest in home improvement. According to the Department for Levelling Up, Housing and Communities, the UK's average housing stock is 70 years old and management therefore believes there is a significant and growing need for repair, maintenance and improvement (RMI) spend.

While enjoying structural growth drivers, TPT is exposed to macroeconomic cycles (with revenue declines in FY09, FY20 and FY24) and trends in the residential housing market (see Exhibits 9 and 10), as well as business profitability and confidence.

Exhibit 1: Revenue and profitability



Source: Topps Tiles, Edison Investment Research. Note: *53 weeks.

TPT reports revenue in four verticals, with the potential to add further verticals via M&A:

- Topps Tiles (c 75% of FY25e revenue): is the core brand, the market-leading, omni-channel retailer of tiles and associated products.
- Online Pure Play (c 12% of FY25e revenue): targets online customers in niche and complementary markets, established in 2022 and consisting of Pro Tiler Tools (and its associated brands) and Tile Warehouse.
- Parkside (c 3% of FY25e revenue): addresses the untapped corporate or business-to-business (B2B) market.
- CTD (c 10% of FY25e revenue): the August 2024 acquisition enhances TPT's presence in trade and B2B, as well as providing exposure to the volume housebuilder market where TPT previously had little or no presence.

TPT's head office and main warehouses are in Leicester, along with a new warehouse to accommodate two of its businesses, Pro Tiler Tools (PTT) and CTD, in Northampton. The company employed an average of 1,766 employees in FY24.

Mission 365

The company is in the second year of its ambitious medium-term (time frame unspecified by management, we believe up to five years from the announcement) strategy, Mission 365.

Before we look at the main initiatives in the Mission 365 strategy announced with the H124 results and the progress

made in the last 12 months or so, we show the associated financial goals in Exhibit 2, at the time of the initial announcement and as updated with the H125 results.

Exhibit 2: Mission 365 financial goals

H124 results:	Low-end £m	High-end £m	H125 results:	Low-end £m	High-end £m
Approximate FY24e market consensus	250	250	FY24 adjusted revenue	248	248
Market and pricing	10	20	Market and pricing	10	20
Modernise the trade digital experience	15	20	Modernise the trade digital experience	15	20
Expand into new product categories	25	30	Expand into new product categories	25	30
Business-to-business sales focus	15	25	Business-to-business sales focus	35	40
Pro Tiler expansion	20	25	Pro Tiler expansion	20	25
Tile Warehouse maturity	10	15	Tile Warehouse maturity	10	15
Total revenue	345	385	Total revenue	363	398
	Margin 8%	Margin 10%		Margin 8%	Margin 10%
Adjusted profit before tax (£m)	27.6	38.5	Adjusted profit before tax (£m)	29.0	39.8

Source: Topps Tiles, Edison Investment Research

Broadly, the new strategy increased TPT's addressable market by 75% to £2.1bn (from £1.2bn) to incorporate hard wall and floor service coverings and related products, in addition to its traditional product categories. These are being complemented by a focus on providing more and better services to customers. We highlight that management achieved its previous goal of growing TPT's market share to 20% by FY25 two years ahead of schedule, so it has a good pedigree with respect to delivering on strategy and goals.

For each of the five main growth drivers, ie excluding the expected recovery of markets following the recent downturn, management initially provided a range for expected incremental revenues so that ultimate expected revenue was in the range of £345–£385m, with an average of £365m.

The acquisition of CTD which, as we discuss later, management expects to represent a £30–£40m revenue opportunity, has increased expected incremental revenue from B2B growth to £35–£40m (from £15–£25m). The remainder of CTD's revenue will fall into the other revenue streams. As a result, c £365m now becomes the low end of the expected revenue goal (vs the midpoint of the previous range), with a much higher c £400m if all goes to plan.

In addition to the incremental revenue from the five areas of focus, which we discuss below, management included some expected recovery in its markets to arrive at the financial target. The expected incremental revenue from market recovery/growth and pricing of £10–£20m represents 4–8% growth from TPT's FY24 adjusted revenue of c £248m, excluding the first part-year contribution from CTD, and looks conservative in the context of the c 5% reduction in FY24 revenue, again excluding CTD.

Management is also focused on profit growth, with the goal of achieving a minimum of £30m in adjusted PBT, an almost fivefold increase from FY24's adjusted PBT of £6.3m. The financial goal assumes an adjusted PBT margin of 8–10% across all four businesses, indicating adjusted PBT of c £29–£40m if the margin goals are taken literally. However, this requires the margins for all four businesses to be within that range at same time and relies on perfect execution. Please note that TPT's definition of adjusted PBT differs slightly from ours as we exclude share-based payments and amortisation of acquired intangibles.

Therefore, to conclude, achieving the Mission 365 targets by the end of FY29 (five years) would represent a revenue CAGR of at least 8% (from FY24's adjusted revenue of c £248m to £365m) and a much higher CAGR for adjusted PBT of c 37% (from FY24's £6.3m to the committed minimum of £30m).

The five key areas of focus and the progress made in the last 12 months or so are as detailed below.

Modernise the trade digital experience

Investment in TPT's digital architecture and customer interfaces, and the offer of new services, are expected to improve the trade customer's experience and boost engagement and loyalty. Management estimates that this could generate £15–£20m in incremental revenue. Trade customers are typically more loyal and shop more frequently than retail customers and, as the key interface with the ultimate retail end customers, serve as good ambassadors for TPT.

Through H125, management has focused on improving the functionality and services offered on the trade website including simplification of the registration process, greater pricing transparency, and the scale and focus of the credit offering.

Together with a weaker competitor set, these improvements have manifested themselves in good increases in TPT's active trade customers (+7% to 141k in FY24, +11% to 146k in H125 and +12% to 150k in Q325), high growth in TPT's online traffic (fivefold in Q125 and fourfold in H125) and total group trade sales growth (12% in H125).

Future initiatives include the launch of a new customer engagement platform in H225 and the launch of a trade app in FY26.

Expand into new product categories

While TPT's core products of porcelain and ceramic tiles are traditionally associated with bathrooms and kitchens, these products are increasingly used in more ways throughout the home and, in addition, new product categories to the group, such as luxury vinyl tiles or wood, allow TPT access to more of the house such as living areas, hallways or bedrooms. In determining its estimated incremental revenue opportunity of £25–30m, management has assumed that TPT gains less than 5% market share of the new categories.

From a range perspective, there has been good progress with a greater number of outdoor products in stores, splashbacks and shower panels have been introduced into all stores, and a wood laminate trial is underway in about 15% of the estate. The expanded range and newer products have been well received by customers, with y-o-y growth of 17% in H125. The expansion into new product categories is not only good for the top line, but also for profitability as TPT's scale and growing reputation means that more of the newer products are being bought direct from suppliers, thus enhancing gross margins.

The move into new product categories is also opening up new partnerships, for example TPT's products are now available in all of Wren Kitchens' showrooms.

B2B sales focus

TPT believes it can better leverage its four complementary brands that target B2B customers with extended ranges and by investing in its digital architecture and offering new services.

Perhaps the most significant event of the last 12 months in terms of developing the strategy was the acquisition of CTD as it significantly enhanced TPT's B2B offering. TPT now has four complementary brands with differentiated product offers for its trade and professional customers. As a result of the acquisition, the indicated incremental revenue from the B2B sales focus has increased to £35–40m from £15–25m previously.

Exhibit 3: TPT's four brands to address trade and B2B sales

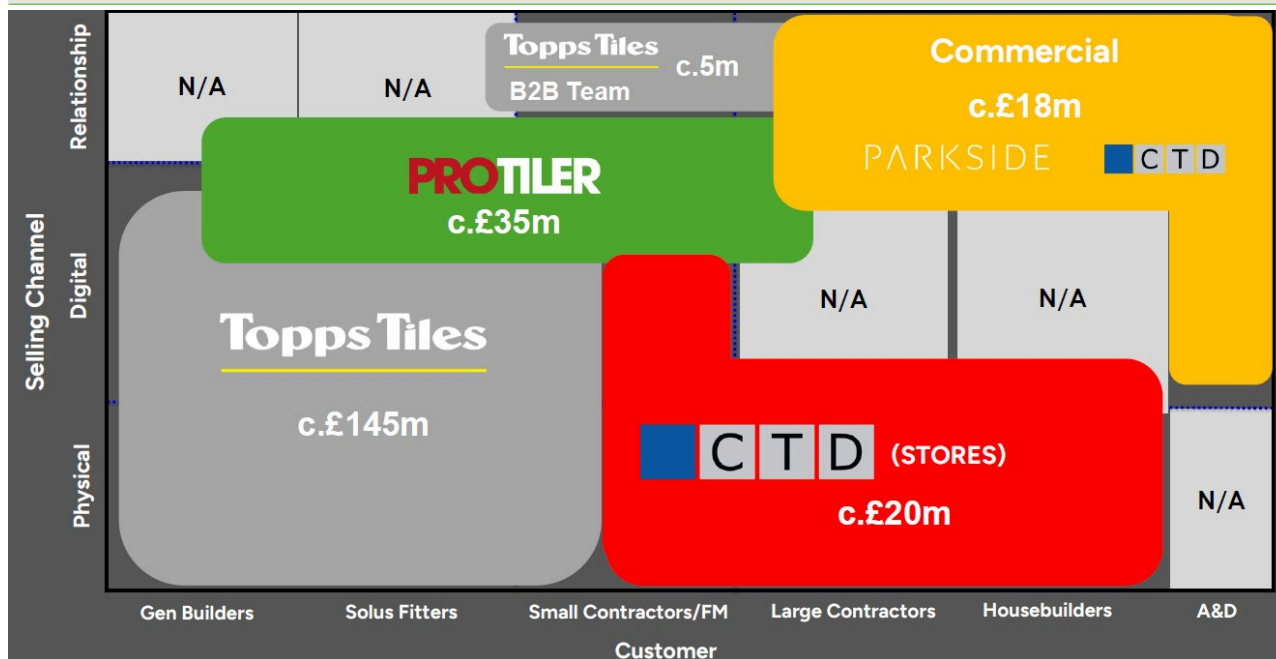
<p>Topps Tiles</p> <ul style="list-style-type: none"> • c.300 stores nationwide • Omni-channel platform • Focusing on general builders and solus tile fitters 	<p>PROTILER</p> <ul style="list-style-type: none"> • Pureplay online plus direct selling team • Consumables & tools only • Focussing on fitters and smaller contractors
<p>CTD</p> <ul style="list-style-type: none"> • 24 store network, very strong trade bias • Stock depth in branch key • Focussing on contractors and housebuilders 	<p>PARKSIDE</p> <ul style="list-style-type: none"> • Direct selling model to A&D community • Coverings focussed • Bespoke or technical products & solution

Source: Topps Tiles' H125 presentation

The importance of having the four brands becomes apparent when considering the different types of customers TPT can serve and how those customers like to be serviced, as shown in Exhibit 4. For example, the combination of Parkside and CTD should enable the group to better serve architectural and design customers as TPT now has greater scale. The acquisition of CTD brings exposure to the volume housebuilder market, where TPT previously had no presence, and to larger contractors which historically have not considered trading with TPT.

We should highlight that the lighter grey boxes, with 'N/A', indicate markets that either do not exist or which management believes are not economically viable. For example, larger contractors and housebuilders require account management and strong relationships. Conversely, it is not economically viable for TPT to invest in managing a relationship with general builders that may spend little and/or infrequently with the company.

Exhibit 4: Trade customers and selling channels



Source: Topps Tiles' H125 presentation

Continue to support Pro Tiler Tools

Following the purchase of the outstanding minority shareholding in May 2024, management remains optimistic about the growth outlook for the brand. It believes this business could double in size again, adding £20–25m in revenue. Prior to the new goal of £50m revenue, management had targeted £30m in revenue, which covered a shorter time frame. We discuss PTT's recent financial results later.

Develop Tile Warehouse to maturity

A change in management at Tile Warehouse at the end of 2023 has led to improvements in operating and financial metrics, enabling management to reiterate its belief in the existing medium-term revenue goal. The financial goal is to deliver £10–15m in revenue in a market that management estimates to be worth more than £100m.

In the video below, CEO Rob Parker and CFO Stephen Hopson provide an update on the new strategy and the H125 results.

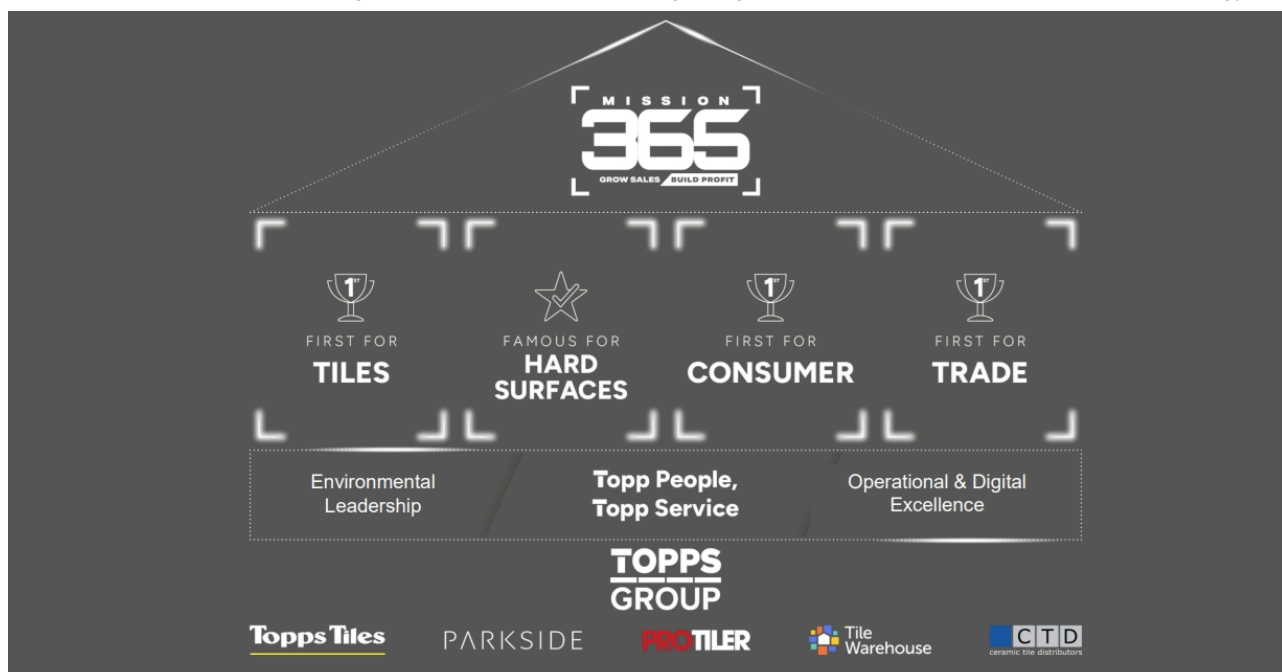
Executive interview with Topps Tiles' CEO and CFO



Source: Edison Investment Research

Group strategy

Exhibit 5 summarises the building blocks for TPT's success in gaining market share to date and Mission 365 strategy.



Products

From a product perspective, management believes TPT's market leadership in hard wall and floor coverings (and related products) is due to having the most extensive range of tiles. For example, within the Topps Tiles branded stores there

are around 2,000 stock-keeping units (SKUs), which are mostly exclusive to the company and are refreshed more regularly than its competitors.

Management aims to offer high-quality products that are innovative and exclusive to TPT. In FY24, 80% of the ranges sold were either own-brand products or exclusive to the company.

According to management, TPT's product innovation credentials stem from the company's strong relationships with its suppliers as it works collaboratively to develop its own-brand and exclusive products. TPT shares insights on new customer trends and ideas and the suppliers provide the technical knowledge and production capability. The company has been proactive in leading many manufacturing and design innovations in the tile market. For the new product categories, management has either sourced product ranges or established supplier relationships.

In TPT's core categories, there are around 20 long-term strategic partners, from which the company sources around two-thirds of its tiles every year. It also has relationships with more than 100 other tile suppliers. The new categories can be sourced from existing suppliers or from suppliers with which TPT had a historical relationship.

TPT currently sources globally. Historically, the most significant countries have included Spain, Italy, Turkey and Brazil, but sourcing naturally moves to take advantage of the suppliers' abilities and regional changes in costs. In recent years, supply from Egypt and India has increased as management sought countries less exposed to input cost pressures like gas, which is a significant cost in the manufacture of tiles. The strategic supplier base accounted for 63% of purchases in FY24.

As most tiles sold in the UK are imported, TPT and all the other retailers are exposed to changes in FX rates relative to sterling. TPT manages its euro and US dollar exposure by purchasing forward FX contracts for its expected purchases in six months' time.

As already mentioned, TPT's addressable market increased by 75%, from £1.2bn to £2.1bn, by expanding into hard wall and floor surface coverings and related products. This acknowledges changes in customer behaviour and new product categories introduced in recent years following M&A. TPT's more traditional core products, such as ceramic tiles, are being used in more ways inside and outside the house and homeowners are choosing hard surfaces across more of the home at the expense of carpets. The majority of the product categories are new to TPT, but some were being sold in small quantities already.

Operational and digital excellence

Supporting Mission 365 are internal investment and operational changes required to generate incremental revenue and profit growth. From an infrastructure perspective, these include a three-year investment programme from FY25 in a new enterprise resource planning (ERP) system, warehouse management and store systems, a customer engagement platform and trade app, as well as supply chain infrastructure (ie warehousing). In addition to the investment in infrastructure, management will increase its investment in marketing and new skills, including specialist central roles.

Environmental

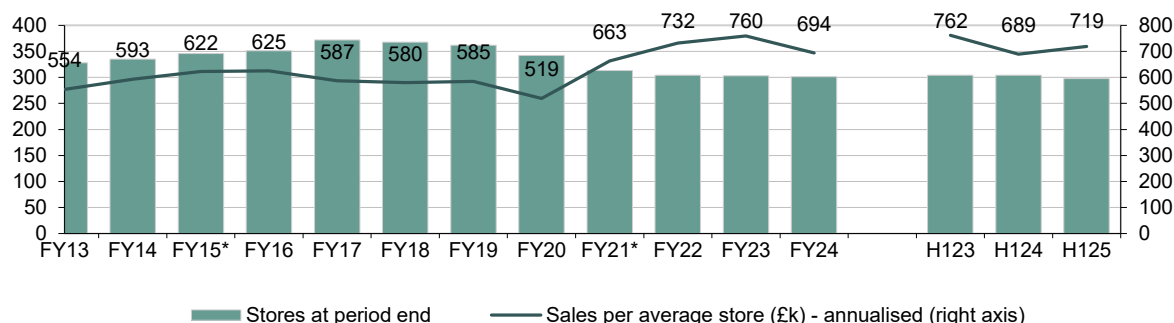
TPT's Environmental Leadership ambition, to be carbon balanced by 2030, was established with FY21's results.

Topps Tiles

Topps Tiles is the group's core and largest trading business, with a strong physical and online presence as almost all sales involve a store and many customer journeys begin online.

The store rationalisation from FY17 involved the reduction or elimination of stores in towns and cities where there were too many locations, with the aim of migrating a good proportion of sales to the remaining stores. With just under 300 stores, management believes the number of locations is about right. 80% of the population are within a 20-minute drive of a Topps Tiles store, which is more important for trade customers than for retail customers, as the latter are more likely to travel further when upgrading their houses. With the next largest tile specialist having about 40 stores, management believes Topps Tiles' store base represents a competitive advantage versus all peers – offline and online. The company also enjoys flexibility in its store base, with an average unexpired lease term of three years.

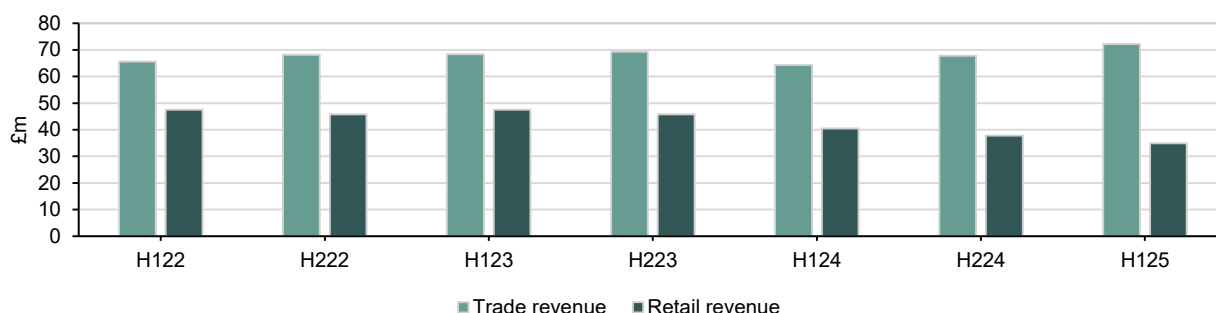
The success of the rationalisation portfolio can be seen in the general ongoing improvement in sales per average store through FY23, before the macroeconomic-induced downturn in trading in FY24. We can now see a clear recovery in trading in H125. The £760k annualised in FY23 was 30% higher than FY19's (pre-COVID-19) £585k. Topps Tiles saw some benefit during COVID-19 due to customers spending more on their houses as they had to remain at home.

Exhibit 5: Topps Tiles' store productivity


Source: Topps Tiles, Edison Investment Research. Note: *53 weeks.

With a relatively stable store base, management anticipates that future revenue growth will come from increasing customer numbers, leading customer service and ongoing management of the estate to maximise sales. Category extensions and continued innovation should be a consistent driver of increasing its customer appeal.

Although many may think of Topps Tiles as a consumer-facing retail brand, it should be considered more of a trade-focused brand as trade customers represent the greatest proportion of group revenue (since 2015), at more than 67% of sales in H125 (vs c 63% in FY24 and 60% in FY23). Trade customers provide more frequent and repeat custom and are an influential link to homeowners (through product recommendations and purchasing via the trade customer). They have been the engine of revenue growth, with retail revenue declining in absolute terms from FY22 to H125 given the macroeconomic weakness. On a more positive note, management indicated signs of improvement in sales to retail customers in the Q325 trading update.

Exhibit 6: Topps Tiles' trade and retail revenue


Source: Topps Tiles, Edison Investment Research

Despite making strides in attracting greater spend from trade customers, management believes there is an opportunity to increase revenue even further by improving the digital experience. The initiatives to improve the online trade experience and success so far are detailed above.

Online Pure Play

TPT's Online Pure Play vertical was created in FY22, following the March 2022 acquisition of an initial majority 60% stake in PTT and subsequent minority buyout in May 2024, and the May 2022 launch of the internally developed brand Tile Warehouse (TW).

The vertical was created to access complementary markets to the core Topps Tiles brand (ie customer bases that operate solely online and are not already customers of Topps Tiles).

Pro Tiler Tools: Specialist offer

PTT is a highly entrepreneurial online specialist retailer of tiling-related consumables and equipment to trade customers via a number of different brands that focus on specific products, some of which have been launched following the initial acquisition. The new brands provided TPT with a significant expansion of its existing product categories and extended it into new categories. Additionally, the platform enables TPT to grow into other areas of online trading. TPT provides PTT

with buying scale, a flexible supply chain and financial resources and know-how to support growth.

PTT was established by a family of tilers in 2010. On the acquisition of the initial 60% stake, the founding parents retired and, after one of the sons subsequently left the business, PTT is currently run by the eldest son. The stake was acquired for £5.3m on a cash-free, debt-free basis. The remaining 40% stake was acquired for £8.7m in May 2024, making the total effective acquisition multiple 5.1x EBITDA. As required by IFRS 3 (due to the continuing employment of the two sons), the estimated present value of the remaining stake was being expensed over the accounting periods to May 2024. FY25 is the first full year that sees no profit dilution for the group from the expensing of the acquisition, although this has been treated by management as an adjusting item, and minority interests.

Prior to the completion of buying out the minority, PTT was kept at relative arm's length from the rest of the group to retain the entrepreneurial spirit of the business. Due to its exceptional growth, the business became capacity constrained so relocated from a 50k sq ft unit to a 140k sq ft unit, both in Northampton, during H125. The new unit is shared with CTD Tiles.

PTT has demonstrated exceptional growth since acquisition, from c £15m annualised revenue in FY22 to c £29m in FY24 and c 14% growth to £15.4m in H125. Management believes PTT has the potential to add another £20–25m in revenue in the long term (note that the target was announced in H124) to reach c £50m in revenue. From a profitability perspective, PTT is already delivering a profit in management's targeted 8–10% adjusted PBT margin range.

Tile Warehouse: Taking on the online value retailers

Established in summer 2022, the digital brand launched with a narrow range (c 400 SKUs) of competitively priced quality products to appeal to a new customer base, the value-conscious consumer. Management believes that Topps Tiles' store format has less exposure to value-conscious customers than its competitors and greater exposure to more affluent customers. The Tile Warehouse management team was changed at the end of 2023 and the business has subsequently delivered strong growth on all metrics and the revenue run rate (almost three times higher at end H124 than at end FY23).

Management anticipates that TW represents a revenue opportunity of £15m for the group within five years (ie in FY27), from a market that management currently estimates to be worth more than £100m pa. This would represent significant growth from its FY24 revenue of £1.7m, with strong growth already apparent in H125 revenue of £1.4m. The brand benefits from leveraging the group's supply chain and infrastructure, but incremental investment in online marketing to support TW's development will lead to small operating losses in the first few years, and the initial challenge will be to get the business into profit.

Parkside

Parkside addresses the commercial market, which includes both new builds and refurbishment of commercial properties (eg education, leisure, office, retail and transport buildings) and new-build residential housing. As highlighted earlier, CTD increases TPT's exposure to this customer base and specifically provides an entry into the housebuilder market.

The appeal of the commercial market to TPT is apparent given it is worth almost the same as the residential market, and the quality of product is important to its customers given likely more extensive wear.

The core customer focus is on selling to contractors working on projects that are often heavily specified by architects and designers, through a direct sales team, whose role is to develop corporate relationships, and a showroom in Clerkenwell in London.

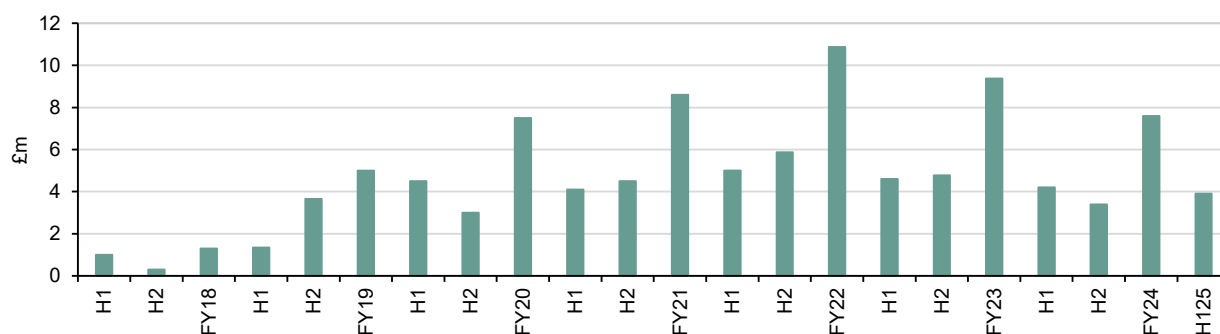
The strategy has been to build a presence in a market that is fragmented and regionalised. While the Commercial vertical has provided mostly good revenue growth, management admits that progress has been more challenging than originally anticipated, not helped by external macroeconomic challenges. Nonetheless, by the end of FY22, Commercial had established itself as a top-five brand. Its success is demonstrated by its list of clients, which have included Berkeley Group, Burger King, David Lloyd Leisure, Greene King, Heathrow, Hyatt, Marks & Spencer, Nando's, Next, Radisson and Slim Chickens.

The commercial market operates in a very different way to the retail market (relationships with corporates and their multiple suppliers are key; lead times are longer, up to 24 months; and decision makers at every stage of a project's delivery have to be managed) and is vulnerable to changes in different macroeconomic drivers (eg business confidence, corporate profitability and capital expenditure plans).

After TPT acquired Parkside in FY17, revenue growth was initially strong, albeit lower than management anticipated. Since H220, it has been negatively affected by the COVID-19 pandemic and more recently by macroeconomic

weakness. These external pressures led to operating losses until management's business improvement plan, completed at the end of FY23, significantly improved profitability so that the business has reported operating profits since H223.

Exhibit 7: Parkside's revenue



Source: Topps Tiles

Parkside is expected to benefit from the third of the five key areas of focus of Mission 365: developing incremental B2B sales. Management believes it can better leverage the group's four complementary brands to generate incremental sales of £25–30m from B2B customers. The addition of CTD's architectural and design business (see below) significantly strengthens the scale of the business.

CTD

After a prolonged review by the CMA, TPT was able to take control of CTD assets towards the end of April 2025, with the exception of four stores that it was required to sell. The £9m asset acquisition was originally announced in August 2024 after the company went into administration.

TPT originally acquired:

- 30 of CTD's stores, which generated £20m in revenue in the year to June 2024. The company previously operated 86 stores and generated £50m in revenue, but most were closed when CTD went into administration. The stores operate a slightly different model to the Topps Tiles estate: separate trade and retail showrooms on the same site; a greater focus on larger trade customers, ie those that would not typically be a customer of Topps Tiles; and offering differentiated brands.
- the architectural and design business, which generated £16m in revenue in year to June 2024;
- the housebuilder business, which generated £8m in revenue in the year to June 2024; and
- selected stock and related intellectual property.

The proposed acquisition was important as it provided greater and complementary exposure to TPT's existing businesses in stores (both rental and trade) and the architectural and design sector (Parkside), as well as providing a meaningful entry into the housebuilder segment where TPT did not already have a presence. The CMA review ultimately found local competition concerns in four of the 30 stores, which TPT agreed to dispose of. Two other stores were closed in the months following acquisition.

Following completion of the CMA review, management reaffirmed its long-term investment thesis for the acquisition, albeit nearer-term rewards have been delayed due to the review process, and the underlying businesses have seen sales declines due to the challenging environment and lack of proper management. In the medium term, management continues to believe that CTD has the potential to generate £30–40m in sales and a similar 8–10% margin to the rest of the group, which is based on the current store portfolio and recovery of all businesses.

The stores earn the majority of their revenue from trade customers, despite the retail showroom generally taking more of the space allocation in store than the trade area. Therefore, management has plenty of flexibility in deciding what it does with the stores, albeit it will focus on trade customers. With relatively small geographic coverage come plenty of gaps in the portfolio, eg no presence in Manchester or Birmingham, so there may be potential to increase geographic coverage, given the target customer base is different to that of Topps Tiles.

From a profitability perspective, in the short term management expects its numerous initiatives during the integration process to move CTD to at least break-even in Q425, from an operating loss of £1m in H125. Given the weak trading and low profitability, management believes there are plenty of opportunities to improve both with relatively easy wins from resolving price differentials between the brands and realising buying synergies and overhead savings.

As an aside, in FY25 management will exclude CTD from the reporting of its adjusted results, given it did not have control of the assets for most of the financial year.

Market overview and macroeconomic drivers

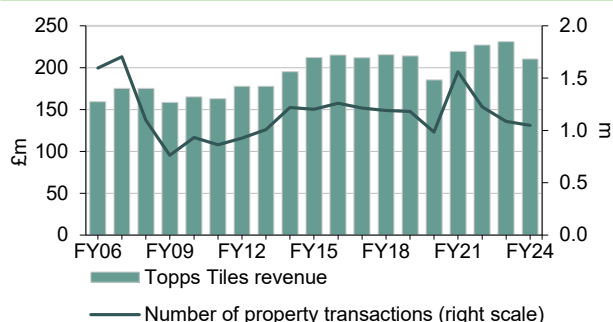
As already highlighted, TPT is exposed to two key different groups of customers – homeowners and businesses/corporates – whose spend is influenced by different external drivers.

Consumers: Confidence and trigger points

Changes in consumer confidence and the health of the housing market are important indicators for the outlook of spend on residential RMI. From a volume perspective, the purchase of a house is an important trigger point that makes consumers consider refreshing their kitchens and bathrooms. Demand is also supported by the natural upgrade cycle of a room, which management estimates at around seven years, and then tends to trigger the refurbishment of another room as it suffers by comparison. Changes in house prices can make homeowners feel more or less affluent and therefore influence their willingness to spend on their house. High house prices and the frictional costs of moving are likely to stimulate refurbishment of an existing property.

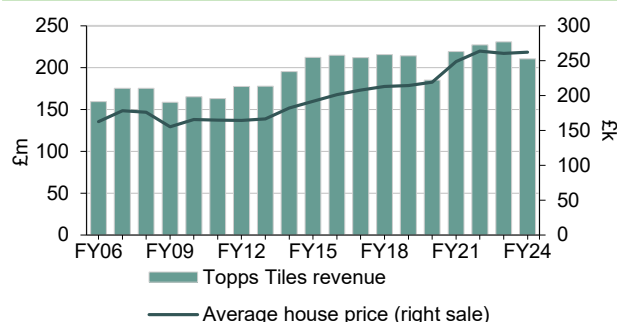
In Exhibits 9 and 10 we show the long-term (FY06 onwards) relationship between Topps Tiles' revenue and the number of property transactions and average house prices. Over the long term, there appears to be a reasonable relationship between Topps Tiles' revenue and the number of property transactions and average house prices with some notable exceptions, for example Topps Tiles' revenue appears to have held up relatively well as the number of property transactions has weakened in recent years.

Exhibit 8: Topps Tiles' revenue versus number of property transactions



Source: Topps Tiles, LSEG Data & Analytics

Exhibit 9: Topps Tiles' revenue versus average house prices

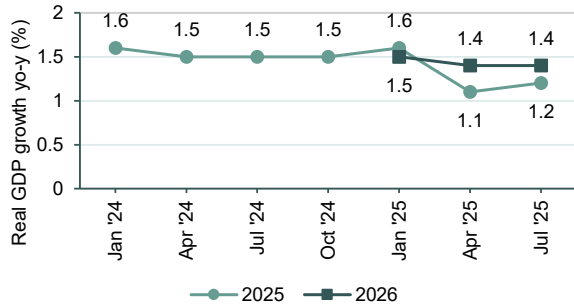


Source: Topps Tiles, LSEG Data & Analytics

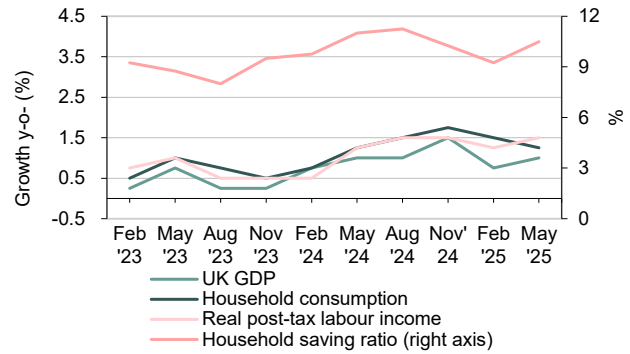
The International Monetary Fund marginally increased its estimates for UK real GDP in July 2025, having significantly reduced estimates in April 2025 in response to US trade tariff announcements on 2 April, and retained its prior forecast for 2026. While the forecast for this year is a little more encouraging and better growth is expected in 2026, we note that the growth forecast in 2025 is much lower than was originally expected through 2024. On the plus side, TPT's domestic exposure means investors 'only' have to worry about the UK's growth prospects and not about the whims of the US government with respect to tariffs, as they would for companies with more global exposure.

Closer to home, the trends in the Bank of England's (BoE's) macroeconomic forecasts have been volatile in recent updates but are lower than they were at the end of 2024. Interestingly, in the May 2025 update, following the announcement of the US trade tariffs, the BoE increased its GDP growth estimate for the UK to 1% (from 0.75% in February 2025), but this compares with its much healthier growth prediction of 1.5% in November 2024. The BoE has reduced its estimates for growth in household consumption as the household saving ratio is expected to increase.

The UK government's recent failure to reduce spend on benefit payments likely means other measures to reduce government spend and/or debt will be announced in the next budget, which has the potential to affect future growth prospects.

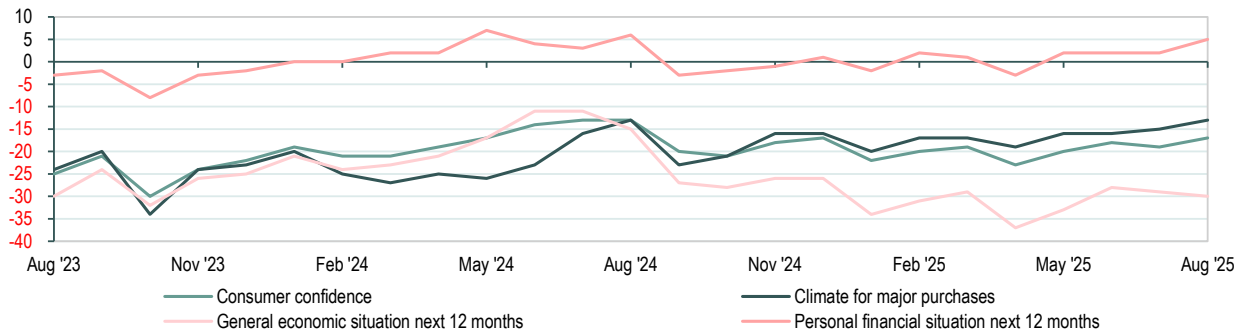
Exhibit 10: UK GDP growth forecasts


Source: International Monetary Fund

Exhibit 11: UK macroeconomic forecasts


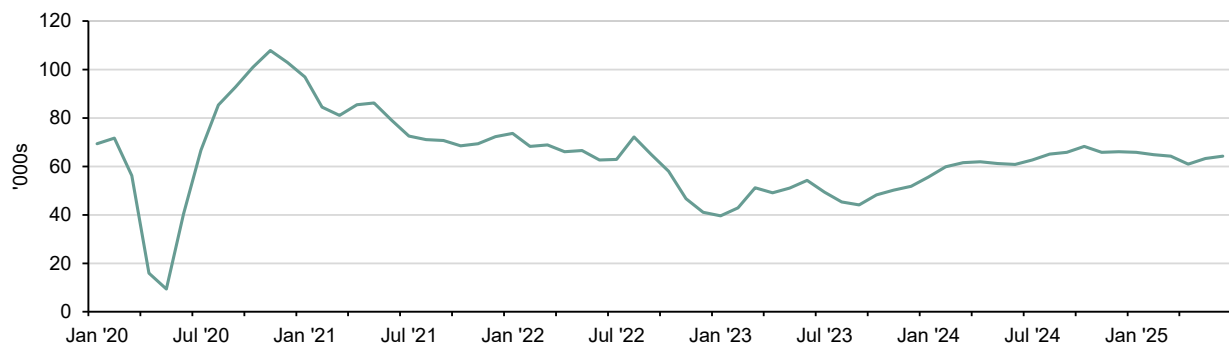
Source: Bank of England

Overall UK consumer confidence has deteriorated over the last 12 months, with a notable reversal in the previous positive trends since September 2024 when worries about the potential effects of the forthcoming UK government's budget increased. Over a shorter timeframe, it has increased month-on-month in each of the last four months. Within the overall confidence indicator there has been a notable downturn in the indicator for 'general economic situation next 12 months' while the 'climate for major purchases' indicator has seen a good relative improvement, which is more encouraging for TPT than it was, albeit it remains firmly negative.

Exhibit 12: UK consumer confidence


Source: LSEG Data & Analytics (GfK)

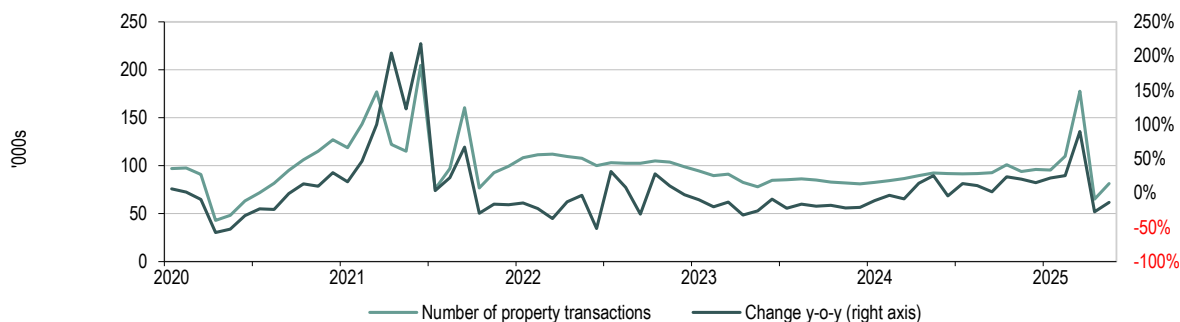
There has been a more favourable trend in UK house mortgage approvals, with year-on-year increases in every month since November 2023, except for a small decline in April 2025. However, the number of mortgage approvals remains low in an historical context, with June 2025's c 64k mortgage approvals comparing with the long-term average for June since 1985 of c £80k.

Exhibit 13: UK house mortgage approvals


Source: LSEG Data & Analytics (Bank of England)

The increase in mortgage approvals was supportive of a broadly improving trend in the number of property transactions over the last 12 months, but both April and May 2025 saw quite strong reversals with year-on-year declines, which were likely due to a reduction in the thresholds at which stamp duty became payable for first-time buyers.

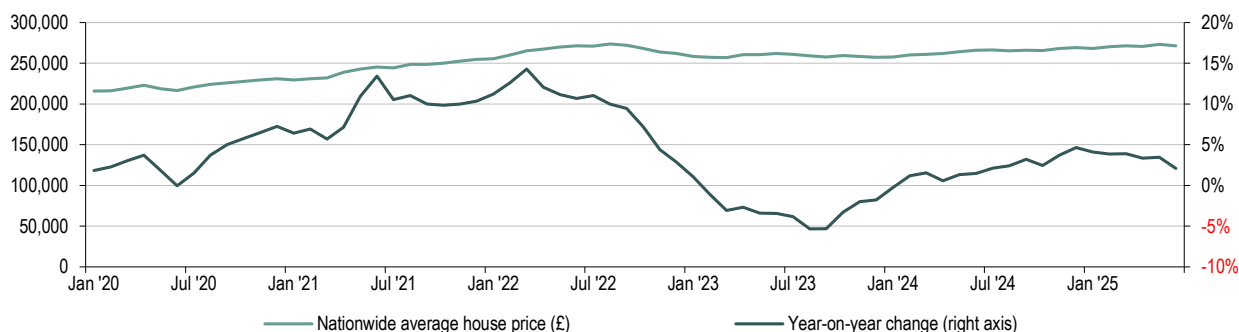
Exhibit 14: UK residential property transactions



Source: LSEG Data & Analytics (HM Revenue & Customs)

With respect to the potential wealth effect from houses, the nationwide average house price has registered y-o-y improvements in every month since February 2024. We note that in July 2025, Rightmove reduced its expectations for growth in the average house price in 2025 to 2% from 4% previously due to increased seller competition.

Exhibit 15: Average house prices



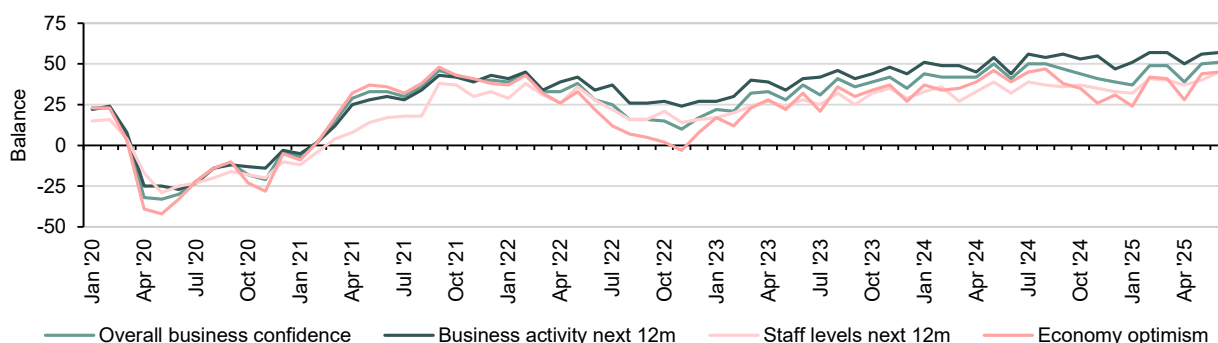
Source: LSEG Data & Analytics (Nationwide)

Commercial: Business confidence and housing volumes

With TPT's increasing exposure to commercial customers and its new exposure to the volume housebuilding section via CTD, we look at trends in business optimism and confidence to give some indication of the future prospects of these businesses.

Business confidence appears higher than it was 12 months ago, which should be considered positive for TPT, but month-on-month trends have been volatile, with some notable weakness, ie month-on-month declines, from September 2024 to January 2025 and again in April 2025.

Exhibit 16: Business barometer



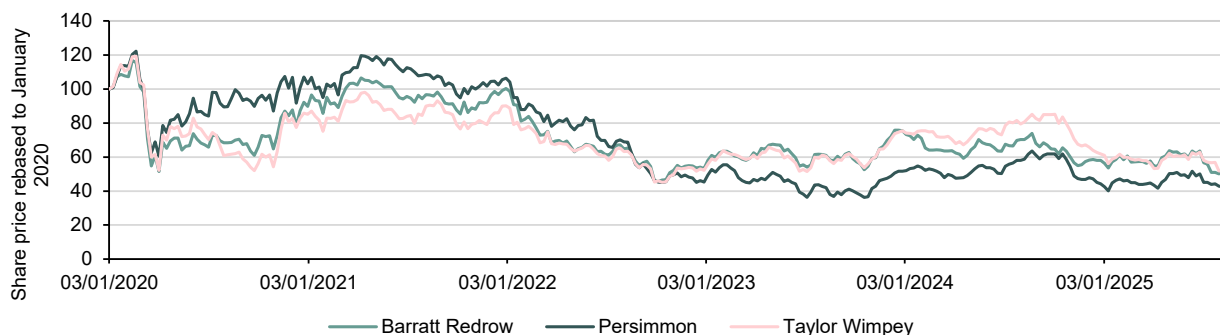
Source: LSEG Data & Analytics (Lloyds Bank)

With respect to the volume housebuilder market, the data on housing starts, ie the beginning of construction of new houses, from the Office for National Statistics are quarterly and not particularly timely; the most up-to-date data are for

Q424.

As a proxy for the outlook for volume housebuilders, in Exhibit 18 we show the share prices of a number of the key housebuilders. The performance of the individual share prices is a little mixed, with Barratt Redrow and Taylor Wimpey declining since the start of 2025 and Persimmon increasing.

Exhibit 17: Share prices of UK housebuilders



Source: LSEG Data & Analytics

Financials

Income statement: Strong recovery potential and self-help

In our updated estimates for TPT, which are unchanged for the three 'underlying' businesses (Topps Tiles, Parkside and Online Pure Play), we include a slightly lower profit estimate for CTD in FY26 given the delays to management taking full control of the assets due to the extended CMA review. As management expects CTD to move to at least break-even in Q425, we assume a slower progression to the initial 5% adjusted PBT margin which it expected than previously, so that in FY26 we now factor in a margin of 2.5% for CTD instead of 5% previously. This reduces our FY26 profit estimate by £0.8m. Thereafter, the increase in CTD's profitability towards management's target margin for the group of 8–10% will certainly be helpful for TPT's overall growth.

As previously highlighted, management is excluding CTD's results from its adjusted results in FY25, along with the comparative in FY24, so we show the adjusted figures and reported figures for FY24 and FY25 in addition to the reported figures.

As highlighted in discussing the long-term financial goals (See Mission 365 section above), achieving the goals by the end of FY29 (five years from FY24) would represent a revenue CAGR of at least 8% (from c £248m in FY24 to £365m) and a much higher CAGR for adjusted PBT of c 37% (from £6.3m in FY24 to £30m).

Exhibit 18: Summary income statement

£m	FY23	H124	H224	FY24	H125	H225e	FY25e	FY26e
Reported revenue	262.7	122.8	129.0	251.8	142.9	149.3	292.2	313.4
Growth y-o-y	6.3%	(5.8%)	(2.6%)	(4.2%)	16.4%	15.7%	16.0%	7.3%
- Topps Tiles	230.9	104.8	105.6	210.4	107.1	112.3	219.4	232.6
- Parkside	9.4	4.2	3.4	7.6	3.9	4.8	8.7	10.0
- Online Pure Play	22.4	13.8	16.7	30.5	16.8	17.2	34.0	39.0
- CTD			3.3	3.3	15.1	14.9	30.0	31.8
Adjusted revenue - excluding CTD		122.8	125.7	248.5	127.8	134.4	262.2	
Growth y-o-y		(5.8%)	(5.1%)	(5.4%)	4.1%	6.9%	5.5%	
Reported gross profit	139.2	66.2	68.1	134.3	74.1	81.0	155.1	165.5
Reported gross margin	53.0%	53.9%	52.8%	53.4%	51.9%	54.3%	53.1%	52.8%
Adjusted gross profit - excluding CTD		66.2	66.3	132.5	68.3	71.9	140.1	
Adjusted gross margin		1	52.8%	53.3%	53.4%	53.5%	53.4%	
CTD gross profit			1.8	1.8	5.8	9.2	15.0	
CTD gross margin			54.5%	54.5%	38.7%	61.4%	50.0%	
Operating profit (reported)	11.1	0.8	(12.2)	(11.4)	5.2	9.3	14.5	19.8
Margin	4.2%	0.6%	(9.5%)	(4.5%)	3.7%	6.2%	5.0%	6.3%
Adjusted profit before tax (TTP definition)	12.5	3.1	3.2	6.3	3.2	5.1	8.3	11.4
Normalised profit before tax (Edison definition)	13.9	3.2	3.9	7.2	3.2	5.5	9.3	12.8
Effective tax rate	42.5%	(35.0%)	26.6%	21.0%	36.5%	25.4%	27.5%	27.5%
Adjusted EPS (TTP definition)	4.5	1.0	1.4	2.4	1.1	1.9	3.1	4.2
DPS (p)	3.6	1.2	1.2	2.4	0.8	1.8	2.6	3.0

Source: Topps Tiles, Edison Investment Research

TPT has enjoyed positive revenue growth in every quarterly trading update so far in FY25 following a challenging FY24 that reflected the tough macroeconomic environment. Of particular note was overall group revenue growth in Q325 of 10.1%, which showed a good positive two-year growth rate for the first time this year, indicating better momentum. TPT also has a weak comparative from Q424. Conversely, Topps Tiles' two-year like-for-like growth rate still remains marginally negative given the 7.3% growth in Q325 versus the 9.7% decline in Q324, so a return to more positive growth would be welcome here. In the previous sections, we have shown how trade customers have provided all the growth in TPT. On a more positive note, management pointed to signs of improvement in sales to homeowners in the Q325 trading update.

Exhibit 19: Revenue growth trends

Growth y-o-y	Q124	Q224e	Q324	Q424	FY24	Q125	Q225	H125	Q325
Group revenue ex CTD	(4.0%)	(7.8%)	(6.9%)	(4.4%)	(5.4%)	4.6%	3.3%	4.1%	10.1%
Group revenue adjusted for change in period end						3.3%	4.4%	3.9%	
Topps Tiles like-for-like	(7.1%)	(11.3%)	(9.7%)	(8.2%)	(9.1%)	3.5%	3.7%	3.0%	7.3%

Source: Topps Tiles, Edison Investment Research

On an adjusted basis, we forecast 5.5% revenue growth to c £262m in FY25 which, along with an expected revenue contribution from CTD of £30m, provides total y-o-y growth of 16% to c £292m.

Management expects the group gross margin to trend down by 2–3pp to 51–52% by the end of Mission 365. This mainly reflects changes in business mix as the growing contributions from Parkside and Online Pure Play with lower gross margins of 30–40% and CTD with a gross margin of 50% are lower than Topps Tiles' gross margin in the high 50s percentage. Within this overall decline, the continuing focus on managing operational costs and product mix are expected to derive further benefits to the group gross margin, of 2pp, to offset an anticipated decline from expanding into new product categories. The FY24 results saw a reassuring increase in the adjusted gross margin to 53.3% from 53.0% in the prior year driven by Topps Tiles, albeit there were number of moving parts:

- Net price, cost of goods and product mix benefits added 1.4 margin points.
- Growth in lower-margin trade customers reduced the margin by 0.5 margin points.
- Strong growth by Online Pure Play reduced the margin by 1.2 margin points.
- Other factors such as lower stock losses added 0.6 margin points.

Moving into H125, the adjusted gross margin of 53.4% was 50bp lower than H124, again with a number of moving parts but mainly business mix changes as that of Topps Tiles' gross margin was flat versus the prior year.

Given management's expectations that the gross margin will reduce, the key to achieving the targeted 8–10% adjusted

PBT margin will be leveraging the operating cost base so that operating costs reduce to 42–44% of revenue from c 47% in FY23. Management has maintained a firm grip on adjusted operating costs with an absolute reduction of more than £1m in FY24 despite c £5m in inflationary costs, and increased by £1m in H125 to £62m despite £2m in inflationary costs and other incremental costs of £2.1m to support the growth of the business and systems and marketing investment to drive Mission 365 growth.

TPT's effective tax rate has typically been a couple of percentage points above the UK standard corporate tax rate due to non-deductibility of certain expenses, notably of the expense for purchasing the remaining stake in PTT in recent years. As the PTT minority has been purchased, this has normalised a little.

The company has paid a dividend in every year since its IPO, except for FY09 during the global financial crisis, and payments were disrupted during the outbreak of the COVID-19 pandemic (no final dividend in FY20 and no interim dividend in FY21). The historical dividend policy was to distribute 50% of adjusted post-tax earnings, but this changed to a target of increasing the payout ratio to 67% over the period FY21–23, up to a limit of 100% of adjusted EPS. The policy was designed to provide flexibility, although the board indicated it did not intend to reduce the dividend as a result of short-term macroeconomic issues or performance. The capital allocation policy is for the interim dividend (H125: 0.8p) to be one-third of the prior full year dividend (FY24: 2.4p) and management has indicated that the FY25 total dividend will be at least consistent with FY24. Our forecast dividend for FY25 of 2.6p represents a payout ratio of 85%, a gradual reduction versus FY24's 100% on the way to our 72% in FY26 and achieving the targeted payout ratio of 67% thereafter.

Cash flow and balance sheet

The changes in TPT's profitability, working capital and fixed capital intensity have led to some variability in its free cash generation in absolute terms and relative to revenue.

Exhibit 20: Summary cash flow

Relative to sales:	FY19	FY20	FY21*	FY22	FY23	FY24	FY25e	FY26e
Operating activities	10.4%	28.5%	13.4%	10.8%	15.7%	11.3%	9.7%	12.4%
Net income	4.6%	(4.2)%	4.7%	3.7%	1.5%	(5.1)%	2.3%	3.6%
Depreciation and amortisation	3.4%	14.9%	11.8%	9.8%	9.1%	9.1%	5.6%	7.0%
Working capital	2.1%	10.8%	(6.4)%	(4.5)%	1.6%	2.0%	0.3%	0.2%
Tax paid	(1.5)%	(0.5)%	(0.7)%	(1.4)%	(1.3)%	(0.9)%	(0.9)%	(1.4)%
Investing activities	(4.7)%	6.3%	(0.8)%	(2.6)%	(1.3)%	(4.9)%	(2.5)%	(1.9)%
Net capex	(3.2)%	6.4%	(0.9)%	(1.2)%	(1.5)%	(1.7)%	(2.4)%	(1.9)%
Investment in intangibles	(0.3)%	(0.2)%	(0.1)%	(0.0)%	(0.0)%	(0.0)%	(0.1)%	(0.0)%
Capital element of leases	0.0%	(11.1)%	(10.1)%	(7.9)%	(7.2)%	(6.8)%	(5.5)%	(5.8)%
Free cash flow after lease payments	6.9%	23.5%	2.3%	1.7%	7.0%	2.9%	1.6%	4.7%
Net interest including leases	(0.4)%	(2.0)%	(1.8)%	(1.6)%	(1.5)%	(1.9)%	(1.4)%	(1.3)%
Free cash flow after interest and leases	6.5%	21.5%	0.5%	0.1%	5.5%	1.0%	0.3%	3.4%
Dividends	(3.0)%	(2.3)%	0.0%	(3.2)%	(2.8)%	(3.3)%	(1.3)%	(1.7)%
£m:								
Closing cash	18.7	31.0	27.8	16.2	23.4	23.7	20.5	25.8
Closing debt excluding leases	29.9	5.0	0.0	0.0	0.0	15.0	15.0	15.0
Closing net debt including leases	11.1	98.1	83.5	86.7	71.1	77.3	90.3	83.0

Source: Topps Tiles, Edison Investment Research. Note: *53 weeks.

The variability in working capital has been due to rationalisation of the store portfolio (now completed), the effects of slowing and growing revenue during the COVID-19 pandemic (building inventory etc) and the changes in business mix with the move into the commercial market. FY24 operating cash flow includes the settlement for the earnout of the minority of PTT.

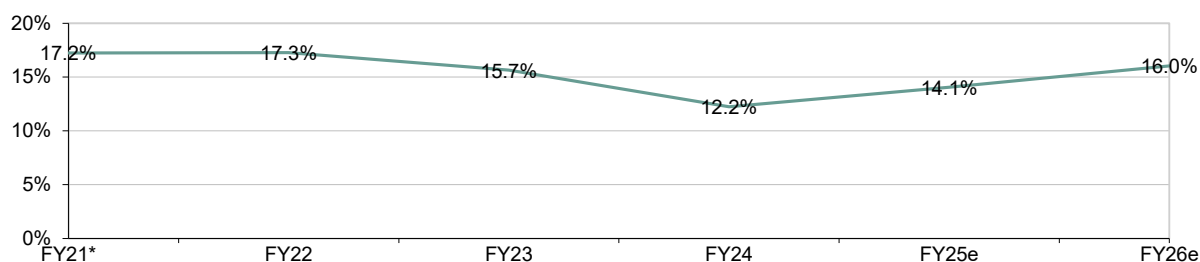
In recent years, management has kept a tight rein on capital investment and, as a result, depreciation of fixed assets has been running at higher levels than capex in recent years. With the announcement of the Mission 365 financial goals, management indicated an increase in capex to cover the replacement of till systems as part of the upgrade to enterprise resource planning systems and the new warehouse to support PTT, and now CTD. Following capex of c £4m in FY24, management guides to capex of £6–8m in FY25, and we assume a gradual reduction in FY26.

Prior to the sale and leaseback of the company's head office and central warehouse in June 2020, TPT typically operated with a net debt position, but since then has mainly been in a net cash position before considering the effects of IFRS 16. The company utilised £15m of its revolving credit facility (RCF) in FY24, which included the payments for the minority interest in PTT and the acquisition of CTD.

In addition to the net cash position, the company has an RCF of £30m, which is committed to October 2027.

Return on capital employed

TPT's lower profitability in FY24 led to a reduction in its return on capital employed (ROCE) in FY24, despite a reduction in its capital employed as a result of lower lease liabilities and net assets. Our expected improvement in profitability through FY26 and FY27 should lead to a higher ROCE.

Exhibit 21: Return on capital employed


Source: Topps Tiles, Edison Investment Research. Note: *53 weeks.

Sensitivities

We believe the main sensitivities are as follows:

- The tile market is clearly exposed to the outlook for consumer spending on housing-related products in its retail businesses, which are affected by consumer confidence and trends in the housing market. In B2B, TPT is also exposed to the expansion and maintenance capital plans of corporate customers, specifically in the retail, leisure and travel sectors, which are also affected by changes in consumer spending and the growth of the volume housebuilder sector.
- The markets in which TPT operates are highly competitive and demand is sensitive to changes in customer preferences. TPT's market leadership in its core product categories has been achieved through constant innovation and range refreshment, which has been helped by its relationships with long-term strategic partners. As it enters the newer product categories, it will need to take share from the incumbent operators.
- TPT is exposed to staff and input cost pressures, which currently remain elevated due to the opening of economies around the world post the COVID-19 pandemic and the war in Ukraine. Gas is an important cost in the production of tiles. The company has good relationships with its core strategic partners, and both sides have to give sufficient notice to change terms.
- The company's growth strategy is partly dependent on its success in developing its newer verticals: Online Pure Play, Parkside and CTD, which take it into complementary and new niches of supply in the overall market for tiles and associated products. The businesses have different growth prospects and levels of profitability than the core vertical, but management believes all are capable of generating an adjusted PBT margin of 8–10%.
- Management has a clear strategy to grow its existing four verticals and will consider entering new verticals as opportunities arise. This presents the risk of entering new areas of business where management has less expertise and the potential for value destruction from M&A.
- The majority of tiles that TPT sources are from outside the UK, and therefore it is exposed to significant changes in foreign currency exchange rates relative to sterling, which would affect its cost of goods sold and working capital investment.
- Following the UK's exit from the EU, the potential remains for changes to regulations and supply chain disruption, including delays to the import of goods.
- With an increasing reliance on online, TPT is dependent on the performance of its technology platforms and regulations with respect to protecting the data of its customers.
- Austria-based private equity business MS Galleon (MSG), the owner of Cersanit, a supplier of ceramic tools, and Nexterio, a tile retailer in Poland, is TPT's largest shareholder with a stake of 29.8% which it has built since 2020. There is no clarity on MSG's plans for its shareholding in TPT, which represents a negative overhang in the event that MSG wishes to sell or reduce its stake, or a significant positive driver if it wishes to take control of the company.
- In the coming months, both the CEO and CFO of TPT will leave the company. At the time of the Q125 trading update in January, Rob Parker announced his intention to retire from the company towards the end of 2025. In June 2025, it was announced that Alex Jensen will join as CEO Designate on 15 September 2025 and Rob will remain in

post until around the end of the year to allow for an orderly transfer of responsibilities. Alex was most recently CEO of National Express UK, Ireland & Germany and previously had a career at BP, bringing extensive retail, multi-site and digital experience. Stephen Hopson will leave TPT on 3 September to be replaced by interim CFO, Mike Killick, who has performed the role in a range of businesses across retail, multi-site and public company environments. The new CEO will lead the search for a permanent CFO.

Valuation

We look at TPT's valuation from three perspectives: a DCF-based valuation; relative to quoted peers and relative to its historical trading multiples, all of which point to meaningful upside to the current share price.

DCF-based valuation indicates significant upside

In our DCF-based valuation we grow TPT's revenue to £379m in FY29, around the middle of the range indicated by management, and adjusted PBT to c £31m, a margin of 8.3% at the low end of management's 8–10% target and equivalent to an operating margin of 9.8%. Thereafter, we assume revenue growth of 2% per year, which is below the company's historical growth, through our terminal year, FY34. We also gradually reduce our operating margin to 7.7% by our terminal year to allow for some cyclicity. We keep all other assumptions on working and fixed-capital intensity consistent so that by FY34, TPT's ratio of free cash flow to sales is c 6%.

We use an estimated weighed average cost of capital (WACC) of 8.5%, which includes a risk-free rate of 4.75%, an equity risk premium of 5.1% (source: Damodaran), a beta of 1.9 (source: LSEG Data & Analytics) and a terminal growth rate of 2%.

These assumptions derive a valuation of 116p/share.

Exhibit 22: DCF sensitivity (pence per share)

		Terminal growth rate				
		1.0%	2.0%	3.0%	4.0%	5.0%
WACC	11.0%	85	92	100	112	126
	10.5%	88	95	105	118	135
	10.0%	91	100	111	126	146
	9.5%	95	104	117	134	160
	9.0%	99	110	125	145	176
	8.5%	104	116	133	158	197
	8.0%	109	124	144	175	226
	7.5%	115	132	157	196	265
	7.0%	123	143	173	224	325
	6.5%	131	156	194	263	424

Source: Edison Investment Research

Discount to peers

TPT does not have a direct quoted peer, but there are a number of companies with a partial product overlap. In Exhibit 24 we show its revenue growth rates, profitability and multiples with two sets of quoted peers: manufacturers and distributors of products that are exposed to the same end markets, and retailers exposed to housing-related spend. We have annualised all figures to TPT's September year-end using a simple average of their annual figures, which likely understates the seasonality of the peers.

Exhibit 23: Peer valuation table

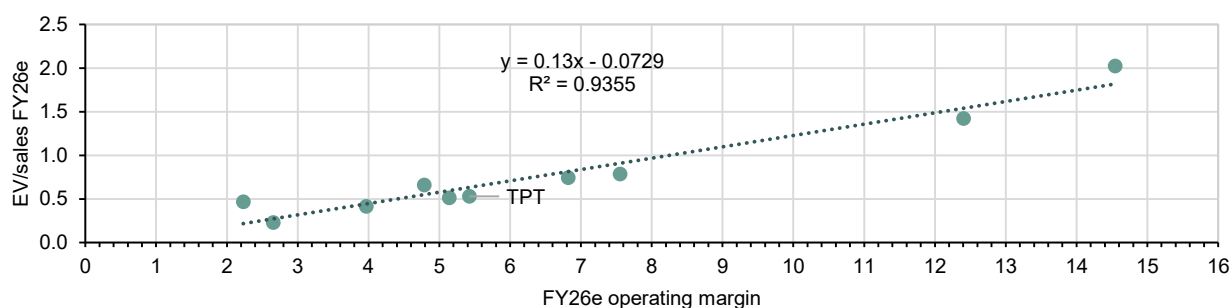
Company	Share price (p)	Market value (£m)	Sales growth (%)		Gross margin (%)		EBIT margin (%)		EV/sales (incl. leases) (x)		P/E (x)		Dividend yield (%)	
			Sept '25	Sept '26	Sept '25	Sept '26	Sept '25	Sept '26	Sept '25	Sept '26	Sept '25	Sept '26	Sept '25	Sept '26
Forterra PLC	193.8	412	9	6	30.9	31.3	10.1	11.6	1.3	1.2	18.3	14.2	2.6	3.6
Grafton Group PLC	884.8	1,714	7	6	N/A	N/A	7.2	7.4	0.8	0.7	12.5	11.6	4.2	4.4
Headlam Group PLC	76.0	61	(3)	4	31.0	30.7	(4.0)	(0.7)	0.2	0.2	N/A	N/A	0.0	0.0
Ibstock PLC	141.8	559	3	9	30.6	31.8	11.1	13.3	1.9	1.7	19.6	14.0	2.6	3.7
Marshalls PLC	182.2	460	0	4	49.5	45.5	9.2	9.4	1.0	1.0	13.1	12.3	3.8	4.1
Norcros PLC	274.0	246	(3)	1	N/A	41.7	11.8	12.0	0.8	0.8	8.4	8.2	3.8	3.9
Travis Perkins PLC	615.0	1,304	(1)	3	28.9	30.2	3.0	3.4	0.4	0.4	18.3	15.0	2.2	2.6
Victoria PLC	73.1	84	(5)	2	32.7	34.0	3.4	5.0	1.1	1.1	N/A	N/A	0.0	0.0
Other - median			(1)	4	30.9	31.8	8.2	8.4	0.9	0.9	15.7	13.2	2.6	3.7
Other - average			1	4	33.9	35.0	6.5	7.7	0.9	0.9	15.0	12.5	2.4	2.8
AO World plc	88.3	511	11	9	24.1	23.9	3.8	4.0	0.5	0.4	15.2	14.0	0.0	0.0
Currys PLC	111.9	1,266	2	2	19.9	21.7	2.6	2.7	0.2	0.2	10.2	9.6	1.6	2.1
DFS Furniture PLC	157.0	367	5	5	56.9	57.4	6.8	7.6	0.8	0.8	15.5	10.5	2.1	3.8
Dunelm Group PLC	1,232.0	2,475	4	5	52.2	52.0	12.4	12.4	1.5	1.4	15.8	15.0	5.1	4.9
Howden Joinery Group PLC	867.5	4,701	3	5	61.8	62.0	14.3	14.5	2.1	2.0	18.8	17.3	2.5	2.6
Kingfisher PLC	269.0	4,700	(0)	1	37.3	37.4	5.0	5.1	0.5	0.5	12.8	11.5	4.6	4.6
Marks Electrical Group PLC	60.5	63	2	3	22.3	20.3	2.0	2.2	0.5	0.5	35.9	29.8	1.6	1.6
Victorian Plumbing Group PLC	63.8	209	5	7	50.1	39.4	6.8	6.8	0.8	0.7	12.5	12.4	3.0	3.7
Wickes Group PLC	201.5	476	3	5	36.8	36.8	4.5	4.8	0.7	0.7	13.2	11.2	5.4	5.6
Retailers - median			3	5	37.3	37.4	5.0	5.1	0.7	0.7	15.2	12.4	2.5	3.7
Retailers - average			4	5	40.2	39.0	6.5	6.7	0.8	0.8	16.6	14.6	2.9	3.2
Topps Tiles PLC	35.0	69	16	7	53.1	52.8	4.7	5.4	0.6	0.5	11.5	8.3	7.4	8.6

Source: LSEG Data & Analytics, Edison Investment Research. Note: Prices at 26 August 2025.

Broadly, consensus is forecasting relatively low levels of revenue growth for the majority of the businesses, likely due to the relatively low economic growth, but with better growth in FY26. Our forecast for TPT's underlying revenue growth, excluding the contribution from CTD which is included above, of c 6% in FY25 and 7% in FY26 is modestly ahead of consensus growth expectations for the peers.

With respect to profitability, the peers have a wide range of gross and operating margins. TPT's operating margin, which is negatively affected by CTD as its profitability builds, is comparable with the median of the retail peers.

From a valuation perspective, TPT trades at a discount to the retailers on EV/sales and P/E ratios and offers a far superior dividend yield, which looks anomalous given its relative revenue growth rate and profitability. To determine a more appropriate valuation multiple for TPT, we show a regression analysis for the retailer peers using prospective FY26 EV/sales multiples and operating margin. In Exhibit 25, we can see a clear strong correlation, with an R-squared of c 0.94, and TPT is currently trading below its deserved EV/sales multiple of 0.7x if we use the formula for the line of best fit.

Exhibit 24: EV/sales multiples versus operating margin for UK retailers


Source: Edison Investment Research. Note: Prices at 26 August 2025.

If TPT can achieve its Mission 365 financial goals (as shown in Exhibit 2), an EV/sales multiple of 1.1–1.4x would be justified using the same equation, which implies a current share price of 112–169p/share when discounted back for four years, given we are now close to the end of FY25.

Exhibit 25: Implied valuation if TPT achieves Mission 365 financial goals

	£m	£m
Prospective EV/sales multiple (x)	1.1	1.4
Prospective sales	365	398
Prospective enterprise value	402	557
Current net debt including leases	(98)	(98)
Prospective market value	304	460
Current shares (m)	197	197
Prospective share price (p)	155	234
Present value of prospective share price (p)	112	169

Source: Edison Investment Research

Low valuation versus own historical multiples

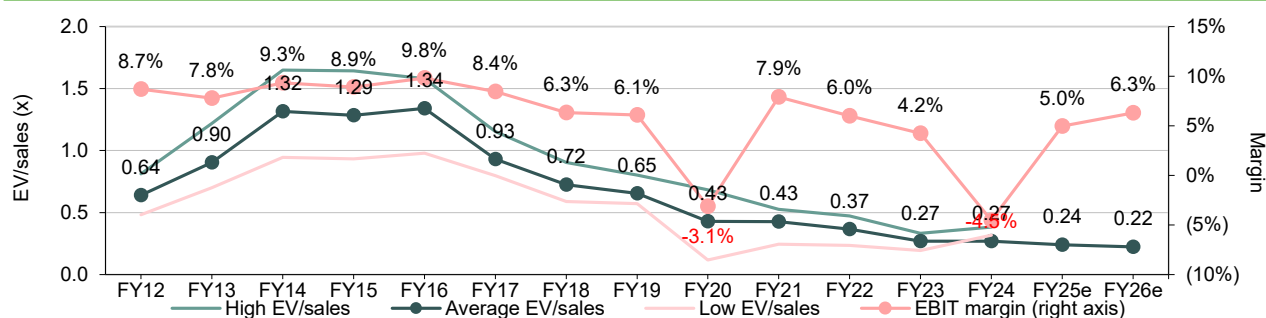
In previous outlook notes we have looked at TPT's prospective EV/sales multiples and profitability and compared them with its historical multiples since FY05, when IFRS reporting was introduced. The rationale for this comparison is that a higher level of profitability should justify a higher valuation and vice versa. In this note, we have focused on a slightly shorter time frame, since FY12. We have chosen FY12 as our start point because it was after the recovery from the global financial crisis and TPT had exited its activities in the Netherlands and the Tile Clearing House, therefore its sole trading business was Topps Tiles.

Since FY12, TPT's average revenue growth has been c 3% and includes a number of revenue declines such as during the COVID pandemic in FY20 and the recent macroeconomic weakness in FY24. Over the same time frame, TPT's operating margin has averaged c 6%, which reflects some better years at 9–10% and some less good years, for example FY20 with a margin of -12%.

For each historical year, in Exhibit 27, we show the high, average (figure shown on the chart) and low EV/sales multiples. To make the comparison more valid over time, we exclude IFRS 16 liabilities from our calculation of enterprise value, while recognising IFRS 16 also makes comparison of the reported operating margin across time difficult. The multiples differ slightly from those shown in the peer valuation table as they include lease liabilities.

TPT's average EV/sales multiple since FY12 has been 0.73x, and therefore the prospective EV/sales multiples of 0.24x in FY25 and 0.22x in FY26 look low in the context of its long-term average in isolation and considering our projected levels of profitability. For example, when TPT generated an operating margin of c 6% in FY18 and FY19 (as we forecast for FY26), its average EV/sales multiple was c 0.7x and it traded as high as 0.8–0.9x. In contrast, its average multiple was much lower at 0.37x in FY22, when it also reported an operating margin of c 6%, but was still higher than current prospective multiples.

As a reminder, management targets an adjusted PBT margin of 8–10% with Mission 365, which would justify an even higher EV/sales multiple if achieved, and our FY25–26 estimates are cyclically low, as well as incorporating CTD's current lower margin.

Exhibit 26: TPT's EV/sales versus operating margin


Source: LSEG Data & Analytics, Edison Investment Research. Note: Prices 26 August 2025.

In Exhibit 28, we show the sensitivity of TPT's share price when we apply a range of EV/sales multiples to our FY26 revenue forecast. A prospective EV/sales multiple of 0.7x would point to a valuation of 111p/share and 0.8x a valuation of 127p/share. Both are consistent with our DCF-based valuation.

Exhibit 27: Sensitivity of TPT's valuation to FY26e EV/sales multiple

FY26e EV/sales multiple (x)	0.3	0.4	0.5	0.6	0.7	0.8	0.9	1.0
FY26e enterprise value (£m)	94.0	125.4	156.7	188.0	219.4	250.7	282.1	313.4
Current net debt/(cash) excl. leases (£m)	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Prospective market value (£m)	92.8	124.1	155.5	186.8	218.1	249.5	280.8	312.2
Prospective share price (p per share)	47	63	79	95	111	127	143	159

Source: Edison Investment Research

Exhibit 28: Financial summary

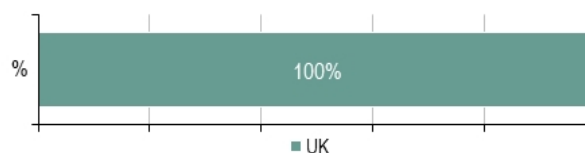
£m	2022	2023	2024	2025e	2026e
30-September	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue	247.2	262.7	251.8	292.2	313.4
Adjusted revenue			248.5	262.2	
Cost of Sales	(111.8)	(123.5)	(117.4)	(137.1)	(147.9)
Gross Profit	135.4	139.2	134.3	155.1	165.5
EBITDA	44.3	42.2	35.0	36.9	43.3
Operating profit (before amort. and excepts.)	20.0	18.2	12.0	13.7	17.0
Amortisation of acquired intangibles	0.0	(0.5)	(0.5)	(0.5)	(0.5)
Exceptionals	(4.7)	(5.7)	(22.6)	1.8	4.2
Share-based payments	(0.5)	(0.9)	(0.3)	(0.5)	(0.9)
Reported operating profit	14.8	11.1	(11.4)	14.5	19.8
Net Interest	(3.9)	(4.3)	(4.8)	(4.4)	(4.2)
Exceptionals	0.0	0.0	0.0	0.0	0.0
Adjusted Profit Before Tax (company)	15.6	12.5	6.3	8.3	11.4
Profit Before Tax (norm)	16.1	13.9	7.2	9.3	12.8
Profit Before Tax (reported)	10.9	6.8	(16.2)	10.1	15.6
Reported tax	(1.8)	(2.9)	3.4	(2.8)	(4.3)
Profit After Tax (norm)	12.5	10.2	5.5	6.7	9.3
Profit After Tax (reported)	9.2	3.9	(12.8)	7.3	11.3
Minority interests	(0.2)	(0.7)	(0.2)	0.0	0.0
Net income (normalised)	12.3	9.5	5.3	6.7	9.3
Net income (reported)	9.0	3.2	(13.0)	7.3	11.3
Average Number of Shares Outstanding (m)	195.6	196.3	196.6	196.6	196.6
EPS - normalised (p)	6.3	4.8	2.7	3.4	4.7
EPS - normalised fully diluted (p)	6.2	4.8	2.7	3.4	4.7
EPS - basic reported (p)	4.6	1.6	(6.6)	3.7	5.7
EPS - adjusted (company) (p)	6.1	4.5	2.4	3.1	4.2
Dividend (p)	3.6	3.6	2.4	2.6	3.0
Revenue growth (%)	8	6	(4)	16	7
Gross Margin (%)	54.8	53.0	53.4	53.1	52.8
Normalised Operating Margin	8.1	6.9	4.8	4.7	5.4
BALANCE SHEET					
Fixed Assets	119.0	109.0	91.3	108.4	107.7
Intangible Assets	7.5	6.9	12.5	11.7	10.4
Tangible Assets	109.4	100.2	72.7	90.6	91.2
Investments & other	2.1	1.9	6.1	6.1	6.1
Current Assets	61.8	65.4	76.1	81.1	90.8
Stocks	38.6	36.4	37.9	43.9	47.1
Debtors	6.4	5.3	13.4	15.5	16.6
Cash & cash equivalents	16.2	23.4	23.7	20.5	25.8
Other	0.5	0.4	1.2	1.2	1.2
Current Liabilities	(63.3)	(66.9)	(73.1)	(83.4)	(88.8)
Creditors	(43.7)	(45.1)	(57.5)	(66.7)	(71.5)
Tax and social security	(1.2)	(0.4)	0.0	0.0	0.0
Short term borrowings	0.0	0.0	0.0	0.0	0.0
Leases	(18.2)	(15.6)	(14.6)	(14.6)	(14.6)
Other	(0.4)	(5.9)	(1.1)	(2.1)	(2.7)
Long Term Liabilities	(88.4)	(81.1)	(88.7)	(98.5)	(96.5)
Long term borrowings	0.0	0.0	(15.0)	(15.0)	(15.0)
Leases	(84.7)	(78.9)	(71.4)	(81.2)	(79.2)
Other long term liabilities	(3.7)	(2.2)	(2.3)	(2.3)	(2.3)
Net Assets	29.0	26.4	5.6	7.6	13.2
Minority interests	2.5	3.2	0.0	0.0	0.0
Shareholders' equity	31.5	29.6	5.6	7.6	13.2
CASH FLOW					
Operating Cash Flow	44.3	42.2	35.0	36.9	43.3
Working capital	(11.0)	4.1	4.9	1.0	0.5
Exceptional & other	(3.1)	(1.7)	(9.0)	(3.9)	(0.5)
Tax	(3.5)	(3.3)	(2.3)	(2.8)	(4.3)
Net operating cash flow	26.8	41.3	28.6	31.2	39.0
Capex	(3.0)	(4.2)	(4.3)	(8.0)	(6.0)
Acquisitions/disposals	(4.0)	0.0	(9.0)	0.0	0.0
Net interest	(3.9)	(4.0)	(4.7)	(4.4)	(4.2)
Equity financing	0.1	0.0	(0.1)	0.0	0.0
Dividends	(8.0)	(7.5)	(8.2)	(4.1)	(5.4)
Other	(19.6)	(18.5)	(1.9)	(17.9)	(18.1)
Net Cash Flow	(11.5)	7.1	0.3	(3.2)	5.3
Opening net debt/(cash)	(27.8)	(16.2)	(23.4)	(8.7)	(5.5)
FX	0.0	0.0	0.0	0.0	0.0
Other non-cash movements	(0.1)	0.1	(15.0)	0.0	0.0
Closing net debt/(cash)	(16.2)	(23.4)	(8.7)	(5.5)	(10.8)
Closing net debt/(cash) including leases	86.7	71.1	77.3	90.3	83.0

Source: Company accounts, Edison Investment Research

Contact details

Thorpe Way
 Grove Park
 Enderby
 Leicestershire
 LE19 1SU
 United Kingdom
 +44 (0)1162 828000
 www.toppsgroup.com

Revenue by geography



Management team

Non-executive chair: Paul Forman

Paul joined TPT's board on 1 July 2023. His previous experience includes chief executive roles at Essentra, Coats Group and Low & Bonar, as well as directorships at Brammer and Tate & Lyle. His other current appointments include chair of limited companies Natara Global and Winder Power.

CEO: Rob Parker

Rob joined the board in 2007, serving as CFO until 2019 when he was appointed CEO. His previous roles before joining TPT included senior finance roles with the Boots Group and Savers Health & Beauty. Rob will leave TPT at the end of 2025. TPT has announced the appointment of Alex Jensen as CEO designate from 15 September 2025.

CFO: Stephen Hopson

Stephen joined the board in November 2020 from Molson Coors Beverage Company, where he was director of central finance for Western Europe. Before that, he spent five years at Travis Perkins, including three years as finance director for BSS, and held senior finance roles at Mitchells & Butlers, where he was responsible for investor relations, among other functions. Stephen is a CIMA-qualified management accountant and holds an MBA. He will leave TPT in September 2023. The new CEO designate, Alex Jensen, will lead the search for a permanent CFO while Mike Killick assumes the role of interim CFO.

Principal shareholders

	%
MS Galleon	29.8
Aberforth Partners LLP	14.7
Invesco Asset Management	5.0
Chelverton Asset Management	4.3
AXA Investment Managers	4.3

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