JAMES HALSTEAD PLC
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JAMES HALSTEAD plc

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30 July 2020

Pre-Close Trading Statement and Update on Interim Dividend

James Halstead plc, the commercial flooring manufacturer and distributor, is providing the following trading update ahead of its final results for the year ended 30 June 2020.

Since the Interim Report issued on 31 March much has happened. As we went into the early stages of the pandemic we were conscious of how cash flow would be affected and accordingly took decisive action on spending. Capital expenditure was curtailed, and all discretionary expenses such as marketing were cut. Spending on safety measures increased to ensure our sites were more Covid-19 resistant. Initially a primary concern was cash inflow and it is pleasing to report that customers did not, in general, hold up payments and that the various initiatives by governments in the territories in which we operate provided liquidity. At 30 June 2020 cash balances are slightly ahead of the levels at 31 December 2019. The countries in which our businesses were completely closed were few, with New Zealand being the most significant. There were several UK and international government cash flow initiatives in which we participated - the most significant being the VAT deferral in the UK (March – June) and in Germany (April – June). The German deferral was paid in June and at the end of June the UK deferral amounts to around £1.9 million.

Looking now at how our businesses have been affected in more detail:

The UK, which represents around 30-35% of turnover, faced significant disruption: almost all of our customers are distributors and through April and into May many were closed. Turnover, in the UK, in those months dropped by up to 65% (versus the comparable period last year) but we continued production to focus on the type of product that was anticipated to remain in demand. In June the UK turnover had recovered to approximately 80% of the prior year.

Our direct exports (i.e. to non- Group companies) continued with only a 5 - 10% reduction versus last year in the April- May period. In terms of our overseas based businesses most continued to trade, albeit it with reduced manning levels. In the core lock-down period (i.e. April- May) sales were broadly 20% below the prior year comparative with the full lock-down of New Zealand having an effect. In June our overseas businesses recovered to 90% of the prior year.

The preparations made by many governments for the onset of the pandemic did lead to an uplift in the sales of our product to the health and medical research sectors. Normally this sector would represent around 30% of our sheet vinyl sales but from April to June it was much more significant. As well as the supply of sheet vinyl to the NHS across the UK and significant supplies to Ireland, we have supplied new hospital facilities across the globe including Brazil, Argentina, Chile, Mexico, Italy, South Africa, Qatar and the UAE. This was not sufficient to offset the shortfall in business of other sectors which were closed.

In terms of overall turnover during the period April to June we averaged just over 70% of the prior year. In terms of the bottom line in this period, profit before tax was just under 50% of the prior year comparative. Cash levels have been preserved.

July has seen the position in terms of trading continue to improve as the distribution base in the UK started to fully re-open and in recent weeks we have seen UK sales average over 90% of the comparative. Looking at our main businesses overseas (Germany, Australia and New Zealand) the level is near parity with the comparatives.

It is still too early to be confident that the worst is over but it is clear that, to date, this situation is far better than we envisaged four months ago. This has been one of the most testing periods in our long history and many of our staff have put in the most commendable of efforts mobilising direct shipments not just across the UK but to far parts of the world. Whether it was the drivers and warehouse staff coming in late on a bank holiday weekend to ship Polyflor to the NHS or the health and safety teams keeping our people safe - our thanks.

Finally, in our Interim Statement our Chairman noted that we would declare a first interim dividend of 2.125p per share representing half the dividend we would otherwise have declared and to review a second equivalent payment of a second interim. These dividends reflected a first half year of record sales and profit. Given the improvement in trading conditions and the cash levels we, as a Board, are sufficiently confident now to declare a second interim dividend of 2.125p which will be payable on 10 September 2020 to shareholders on the register at 21 August 2020.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

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