



FULL YEAR RESULTS 2016/17

24 May 2017

M&S

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AGENDA

Introduction

Review of 2016/17

Progress update

Guidance

Q&A

BUILDING A PROFITABLE, SUSTAINABLE M&S



Customer &
Brand



Recover
and grow
Clothing &
Home



Continue to
grow Food



UK store
estate



International



Organisation
& costs

Financial Plan

CONSUMER & RETAIL ENVIRONMENT

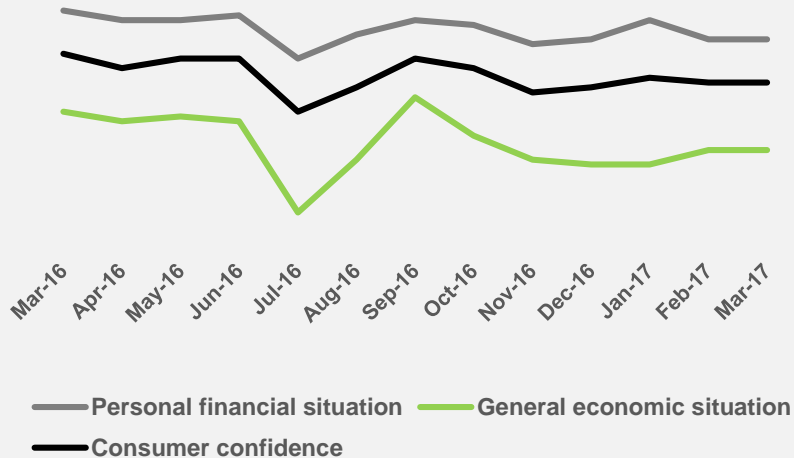
Consumer confidence stable

Uncertain outlook

Clothing market under pressure

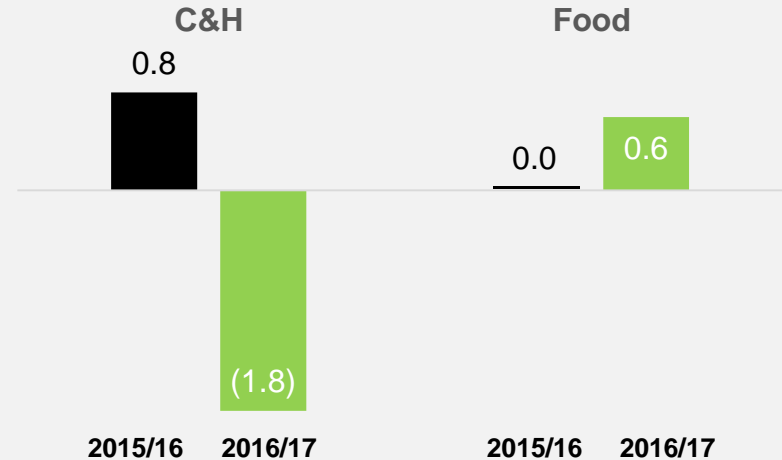
Signs of inflation in the food market

Confidence metrics



Source: GfK

Market growth



Source: Kantar Worldpanel: 52 w/e data. Clothing & Footwear: 9 Apr 17 / 10 Apr 16.
Food & drink: 26 Mar 17 / 27 Mar 16. % pts change v prior year.



REVIEW OF 2016/17

HELEN WEIR
Chief Finance Officer

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OVERVIEW 2016/17

Group revenue	£10.6bn	2.2%
Profit before tax & adjusted items ¹	£613.8m	(10.3)%
Profit before tax	£176.4m	(63.5)%
Adjusted EPS ¹	30.4p	(12.6)%
Free cash flow pre shareholder returns	£585.4m	↑£46m
Ordinary dividend	18.7p	Level
Net debt	£1.9bn	↓£204m

Sales, profit and EPS comparisons are versus the 52 week period to 26 Mar 2016. All other comparisons are versus the reported 53 week year to 2 Apr 2016.

¹Adjusted profits are consistent with how business performance is measured internally

FOOD REVENUE & GROSS MARGIN

Revenue growth	Q4	FY
Total	2.9%	4.2%
LFL	(2.1)%	(0.8)%



Gross margin 2015/16	32.8%
Buying margin	(80)bps
Operational efficiencies	70bps
Waste	(15)bps
Gross margin 2016/17	32.5%

C&H REVENUE & GROSS MARGIN

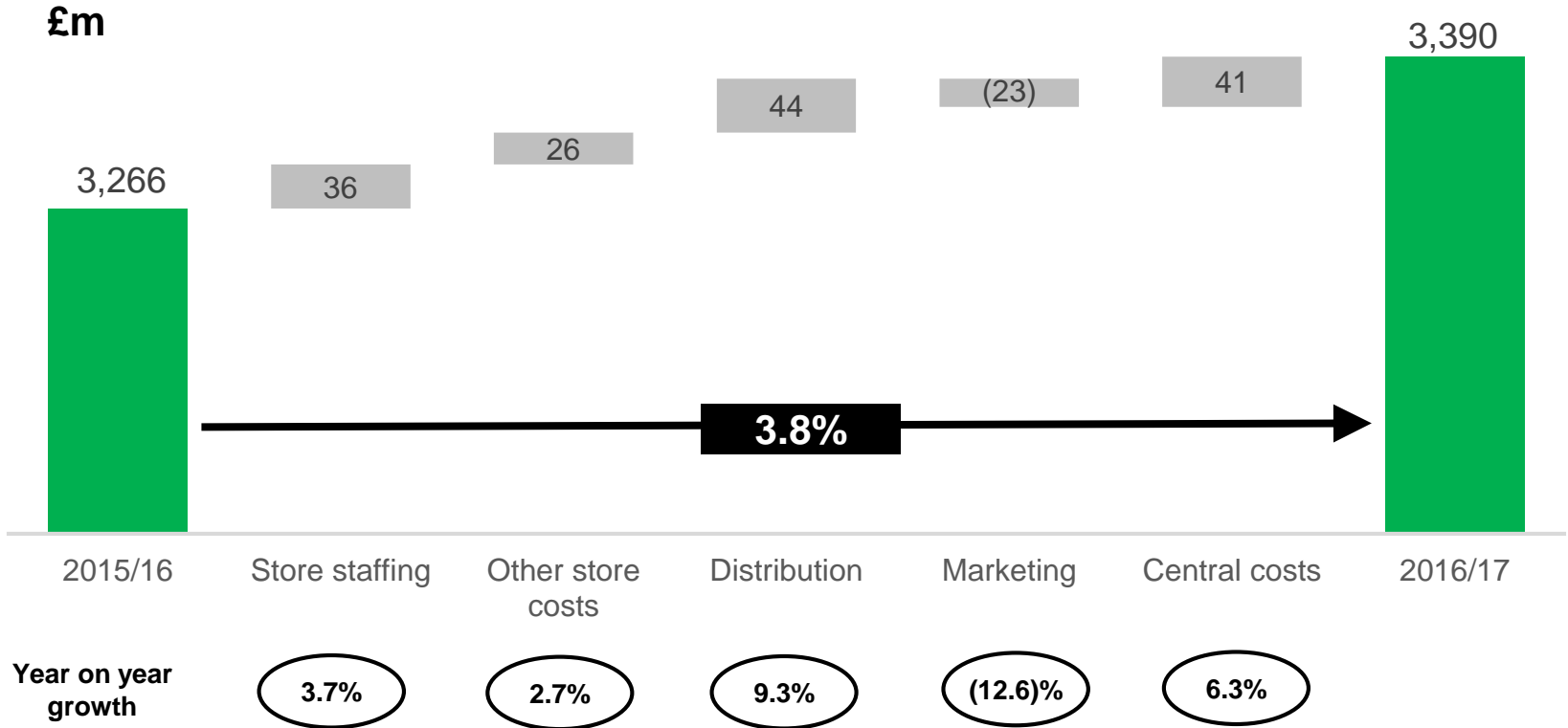
Revenue growth	Q4	FY
Total	(5.5)%	(2.8)%
LFL	(5.9)%	(3.4)%
<i>M&S.com</i> ¹	7.6%	4.9%

¹Includes Food and International at constant currency

Gross margin 2015/16	55.1%
Buying margin	100bps
Discounting	5bps
Gross margin 2016/17	56.1%



UK OPERATING COSTS



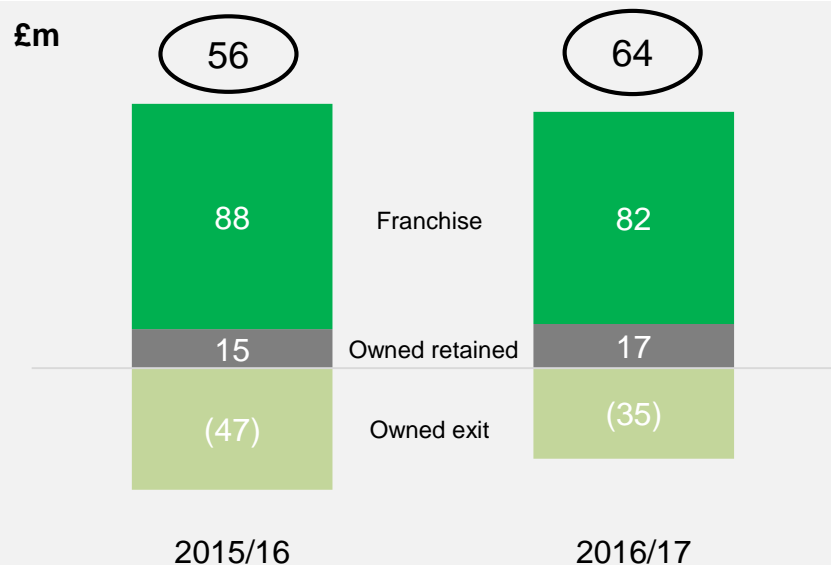
INTERNATIONAL

Revenue growth	Q4	FY
Revenue (cc)	(1.8)%	(0.1)%
Revenue (reported)	7.8%	10.7%



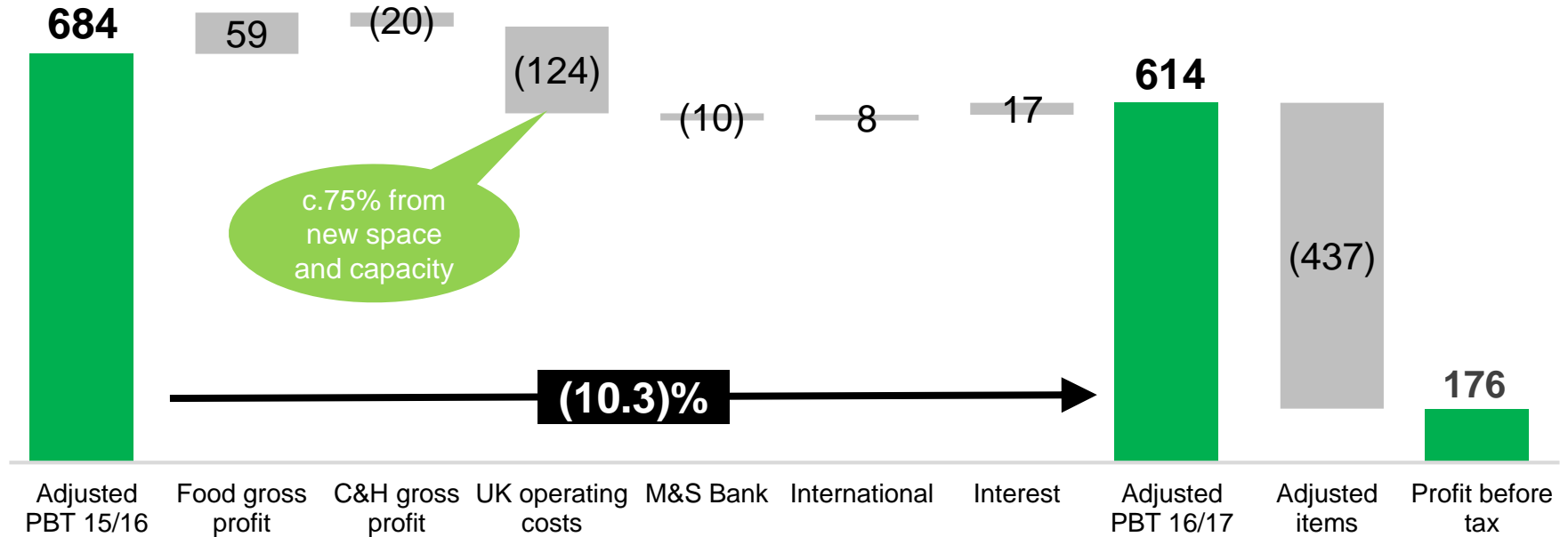
Adjusted operating profit

£m



PROFIT BEFORE TAX

£m

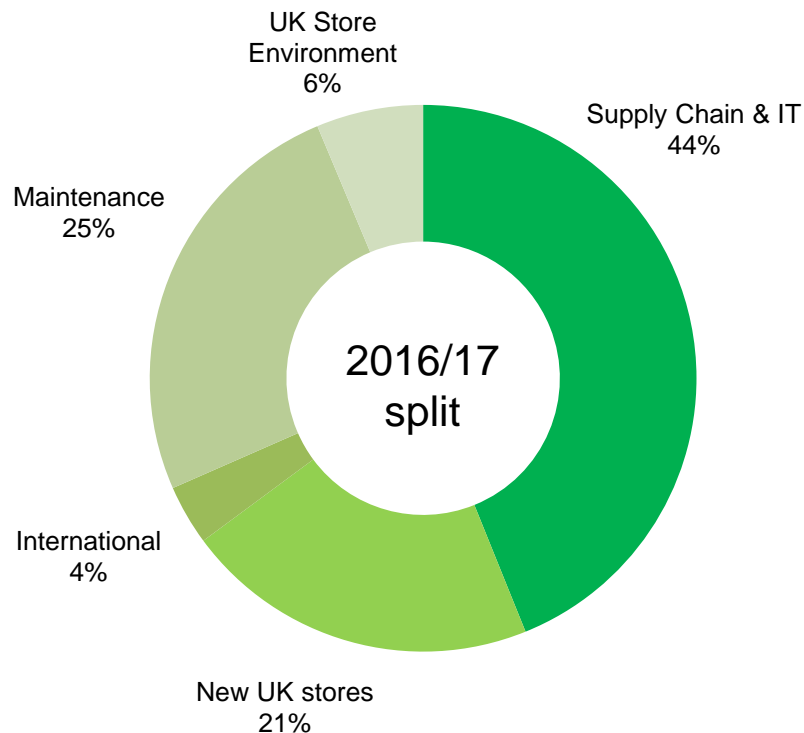
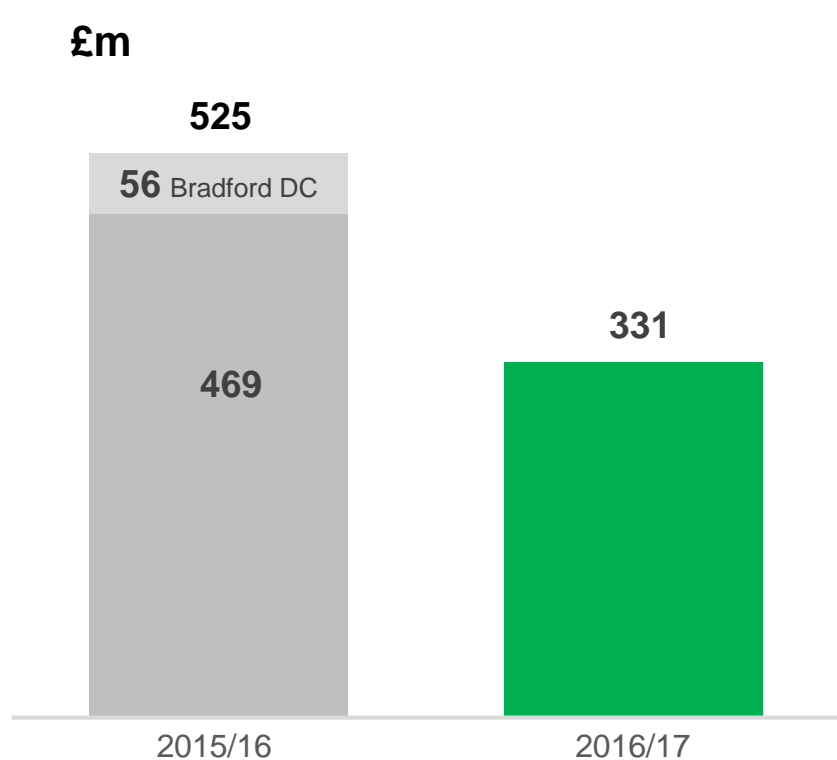


ADJUSTED ITEMS

£m

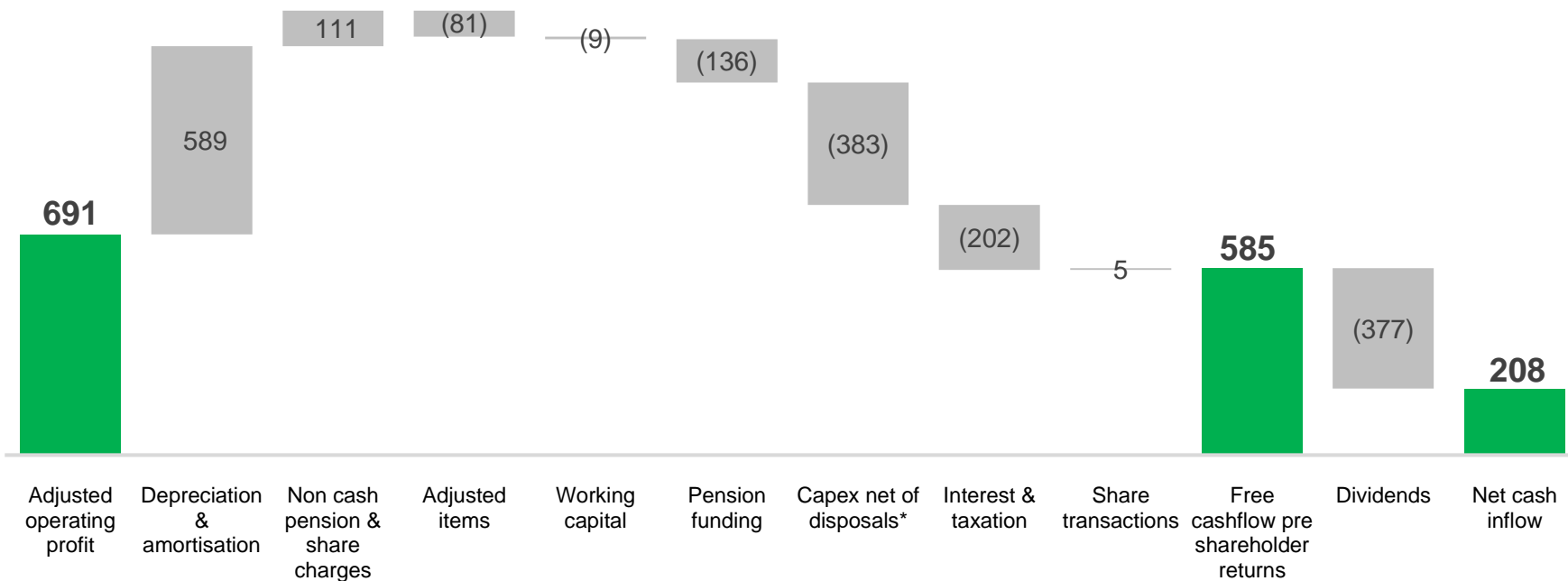
Strategic programmes	
- <i>Changes to pay and pensions</i>	(156)
- <i>UK organisation</i>	(24)
- <i>UK store estate</i>	(52)
- <i>International store closure and impairments</i>	(132)
UK store impairments and onerous lease charges	(49)
M&S Bank: PPI	(44)
UK Logistics	10
Legal settlements	10
Total	(437)

CAPITAL EXPENDITURE



CASHFLOW

£m



*Includes cash payments in relation to prior year capital accruals

SUMMARY

Good progress on strategic priorities

Costs of strategic change reduced profits

Capital discipline as we invest for growth

Strong cash generation and lower net debt



PROGRESS UPDATE

STEVE ROWE
Chief Executive Officer

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WHAT WE STAND FOR

FOOD



Relevant
innovation

Convenience:
product &
location

CLOTHING & HOME



Contemporary
style

Authority in
wardrobe
essentials

Quality

THE UNIFYING CAMPAIGN



CLOTHING & HOME PRIORITIES

FOCUS ON PRODUCT



Contemporary
style

Focus on
wardrobe
essentials

Improve
quality & fit

DRIVE EXECUTION



Lower prices

Better
availability

Investment
in service

DELIVERED IN THE YEAR



Master colour
palette

Style perception
+6pts in Q4



Extended size
ranges

70% of blocks
updated



Better availability
Spring launch +4%

Top 100 lines
+7%



Lower prices on
2400 lines

3 fewer
clearance sales

FOOD PRIORITIES

FOCUS ON PRODUCT



Leading
innovation

Health &
wellness

Superior
quality

DRIVE EXECUTION



Maintain
value

Improve
availability

Convenience

DELIVERED IN THE YEAR



Innovation -
1600 new lines

Health - Made
Without +38%



c.800 quality
upgrades

Best in class
manufacturing



Value maintained

Availability
+40bps



+9% Food online

BA partnership

CHANNEL PRIORITIES



UK store estate plan

Simply Food growth opportunity



Improve experience in store
and online

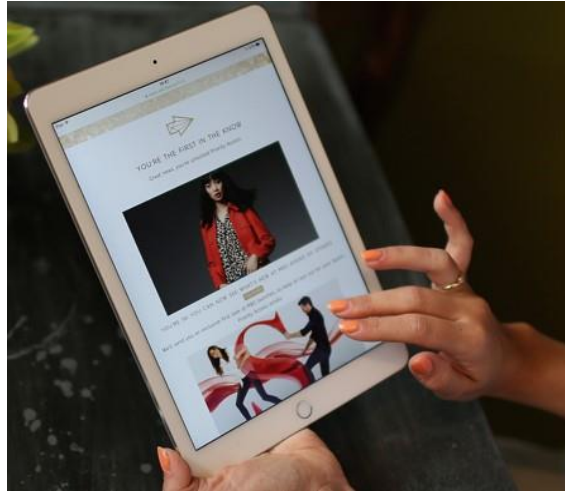
International partnership model

DELIVERED IN THE YEAR: CHANNELS



5 year plan for stores,
68 new Simply Food

Low cost relay of
clothing space



Universal app

Improved service from
Castle Donington

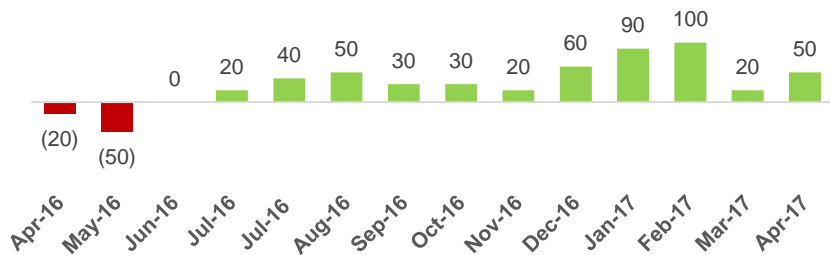


Completed consultation
on store closures

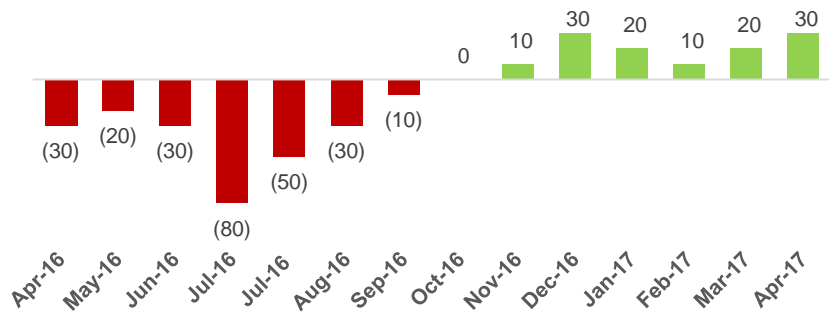
Development of franchise
proposition

CUSTOMER RESPONSE

Full price market share



Store market share



Clothing & Home NPS



Top customers



Occasional customers

Larger stores



Smaller stores

Food

Which? Supermarket of the Year



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MANAGING COSTS



Operational savings
invested in staffing



Processes optimised
via Honeywell



Head Office
restructure



Marketing
effectiveness



Energy efficiency



Reduction in fixed
costs: London offices

MOVING FORWARD: CLOTHING & HOME



Style

- More choice on colour
- Broaden transitional ranges
- Improvements to casualwear



Authority

- Exploit share opportunities
- Further improvements to availability
- Maintain competitive prices



Quality

- Focus on natural fabrics
- Extend fit offer
- Leverage innovation: active technology

MOVING FORWARD: FOOD



Innovation

- Spirit of Summer
- Extend premium 'Collection' range
- Strategic health focus



Convenience

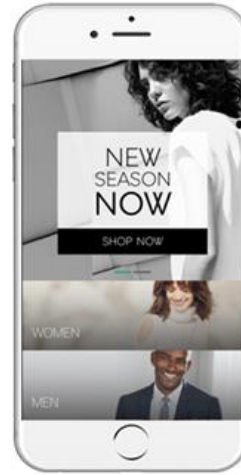
- Quick & healthy meal solutions
- Food on the move development
- Expand hospitality



Quality

- Substantial quality upgrades
- Extension in product life
- Best in class supply chain

MOVING FORWARD: CHANNELS



Rebalance c.50 stores
to growth areas

Extending delivery options

Developing proposition

Open c.90 new Simply Food
stores: London opportunity

Food online

New franchise stores

MANAGING CURRENCY



Better buying

- Tendering orders on key lines
- Migrating to duty free routes
- Leveraging volume



Supply Chain

- Efficient production planning
- Value optimisation
- Exploiting GM4 systems



Discounting & Waste

- Further reduction in promotions
- Two fewer clearance sales
- Improving in store waste recovery

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Financial Plan



GUIDANCE

HELEN WEIR
Chief Finance Officer

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GUIDANCE 2017/18

Food:

Gross margin
Space

0 to (50)bps
7% increase

Clothing & Home:

Gross margin
Space

25 to (25) bps
1% to 2% decline

UK operating costs

2.5% to 3.5%

Adjusted tax rate

c.21%

Capital expenditure

c.£400m

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APPENDIX

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STORES & SPACE

UK	Average selling space (000 sq ft)	Mar 17	Mar 16	Openings	Closures	Change
Shopping Centre	100	16	16			
Retail Park	60	68	64	4		4
High Street- large	65	86	86			
High Street	25	133	134		(1)	(1)
Outlets	10	40	41	1	(2)	(1)
Simply Food owned	8	253	224	30	(1)	29
Simply Food franchise	1	383	349	38	(4)	34
UK stores	-	979	914	73	(8)	65
Selling space (absolute, m sq ft)		17.4	17.0			
C&H		11.3	11.2			
Food		6.1	5.8			
International		Mar 17	Mar 16	Openings	Closures	Change
Owned		185	194	12	(21)	(9)
Franchise		269	274	19	(24)	(5)
International stores		454	468	31	(45)	(14)
Selling space (absolute, m sq ft)		5.9	6.1			