

Reasons to be cheerful:

M&S at Ocado

Discover our top picks

1

M&S at Ocado



Never the Same Again

ROBUST PERFORMANCE IN UNPRECEDENTED TIMES

HALF YEAR RESULTS
4 November 2020

NEVER THE SAME AGAIN

AGENDA

M&S

EST. 1884



STEVE ROWE
CHIEF EXECUTIVE

M&S Foodhall Notting Hill

1

**ROBUST
PERFORMANCE IN
UNPRECEDENTED TIMES**

2

**NEVER THE SAME
AGAIN ACCELERATING
TRANSFORMATION**

NEVER THE SAME AGAIN

DECISIVELY SHIFTING TOWARDS ONLINE

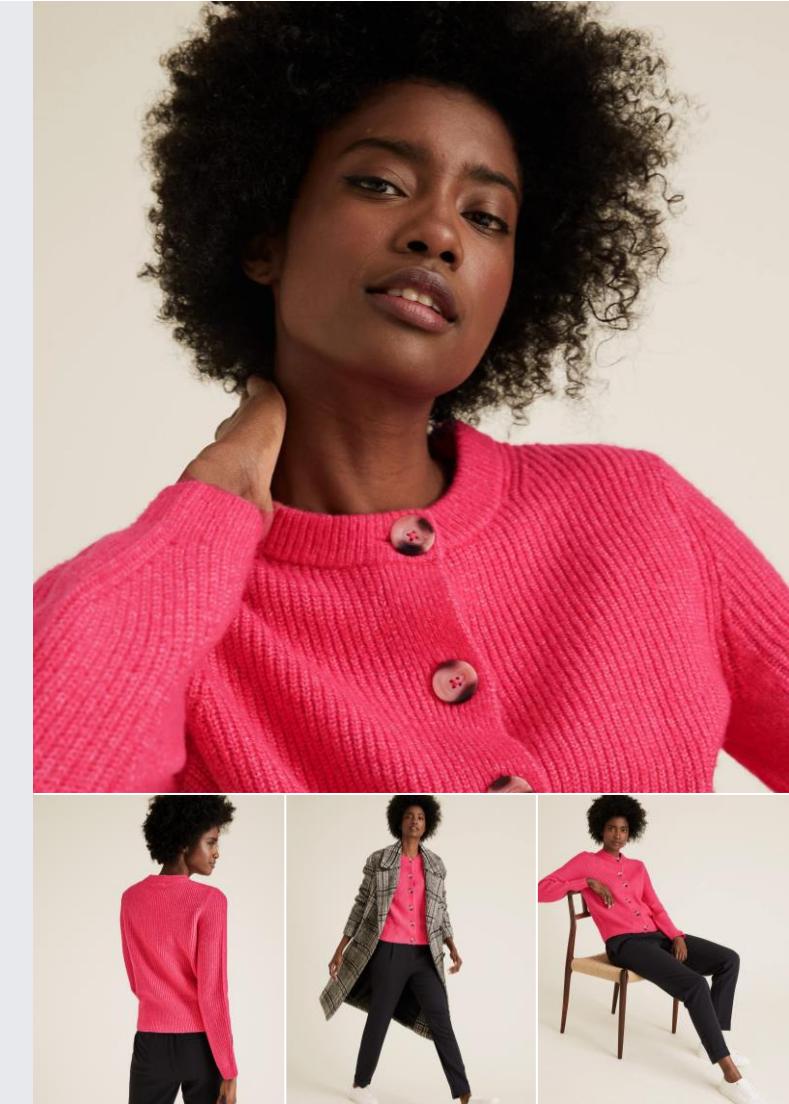
M&S
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Robust performance in unprecedented times

- Remarkable efforts of colleagues in the face of extraordinary challenges
- Strong Food performance mitigating hospitality and franchise closures
- Exceptional growth and profitability of Ocado Retail
- Improving C&H performance post lockdown. Online market share growth and strong sell through of surplus stock
- Net debt reduced and substantial available liquidity

Never the Same Again accelerating transformation

- Central leadership streamlined and strengthened; support centre costs reduced
- M&S on Ocado delivered: Strong customer response and synergies on track
- Store estate for the future: Streamlining of store costs and improved productivity enabled by technology
- Sparks loyalty programme relaunched and grown, helping to drive over 1.5m app downloads
- Building on investment in data and digital with the launch of MS2 to step change online growth opportunity in C&H



M&S COLLECTION

Ribbed Crew Neck Button Front Cardigan, £22.50

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EOIN TONGE
CHIEF FINANCE OFFICER

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HALF YEAR FINANCIALS AT A GLANCE

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£4.1bn
-15.8%

Group revenue

£(17.4)m
-

Loss before tax
& adjusting items

£(87.6)m
-

Loss before tax

£77.6m
233%

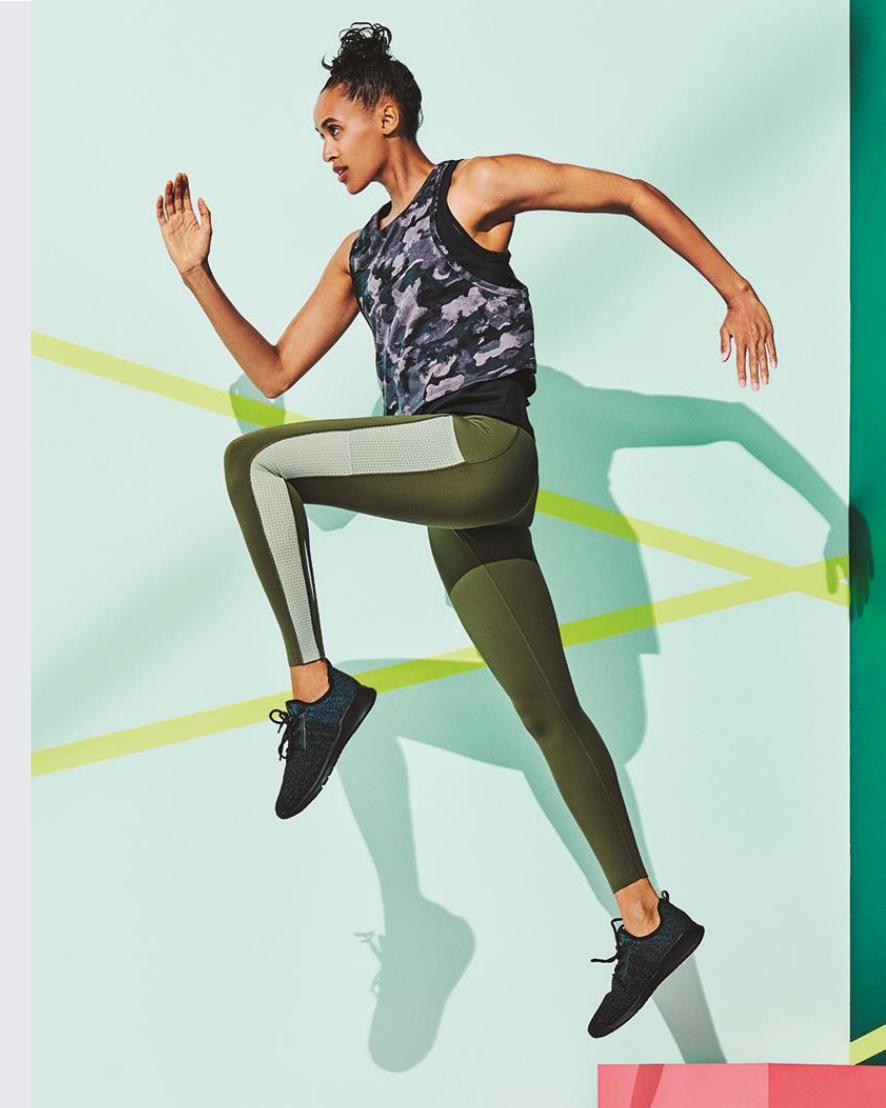
Free cashflow

£3.91bn
reduced 2.9%

Net debt

£1.40bn
reduced 4.4%

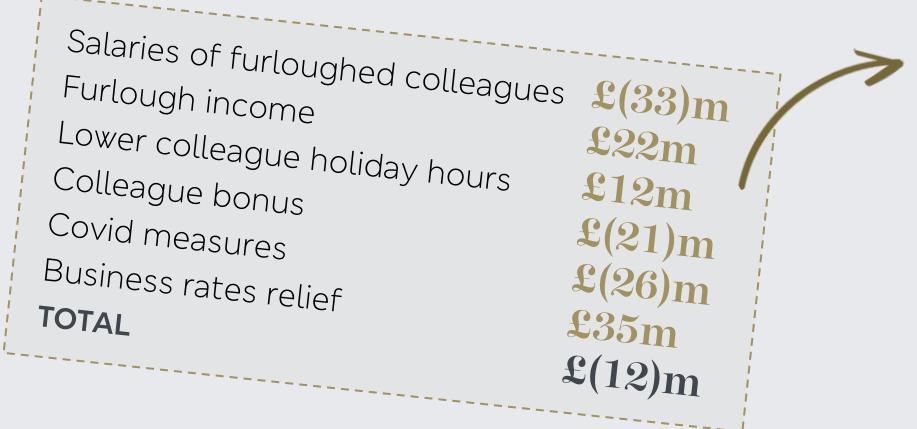
Net financial debt



NEVER THE SAME AGAIN
FOOD PERFORMANCE

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REVENUE			
%	Q1	Q2	H1
Total	-2.1	1.6	-0.3
LFL	2.0	3.4	2.7
LFL (ex. hospitality)	6.7	6.5	6.6



OPERATING PROFIT	
19/20 £M	92.2
Gross profit	(25.5)
Store staffing	8.8
Other store costs	32.7
Distribution and warehousing	(16.9)
Central costs	18.4
20/21 £M	109.7

MARGIN

3.2%

MARGIN

3.9%



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OCADO CONTRIBUTION TO M&S

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SHARE OF PROFIT

	£M
Revenue	1,167.7
EBITDA before exceptional items	89.1
Exceptional items	28.5
Operating profit	100.5
Profit after tax	77.6
M&S 50% share of profit after tax	38.8



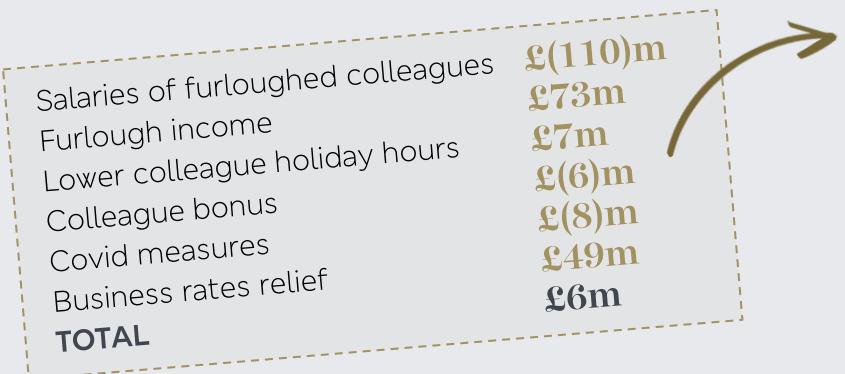
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CLOTHING & HOME PERFORMANCE

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REVENUE

%	Q1	Q2	H1
Total	-61.5	-21.3	-40.8
Stores	-83.8	-39.5	-61.1
Online	21.5	46.4	34.3
LFL	-59.3	-21.2	-39.3



OPERATING LOSS

19/20 £M	109.6	MARGIN
Gross profit	(389.1)	
Store staffing	80.0	
Other store costs	54.7	
Distribution and warehousing	(5.7)	
Central costs	43.0	
20/21 £M	(107.5)	MARGIN
		► (11.7%)

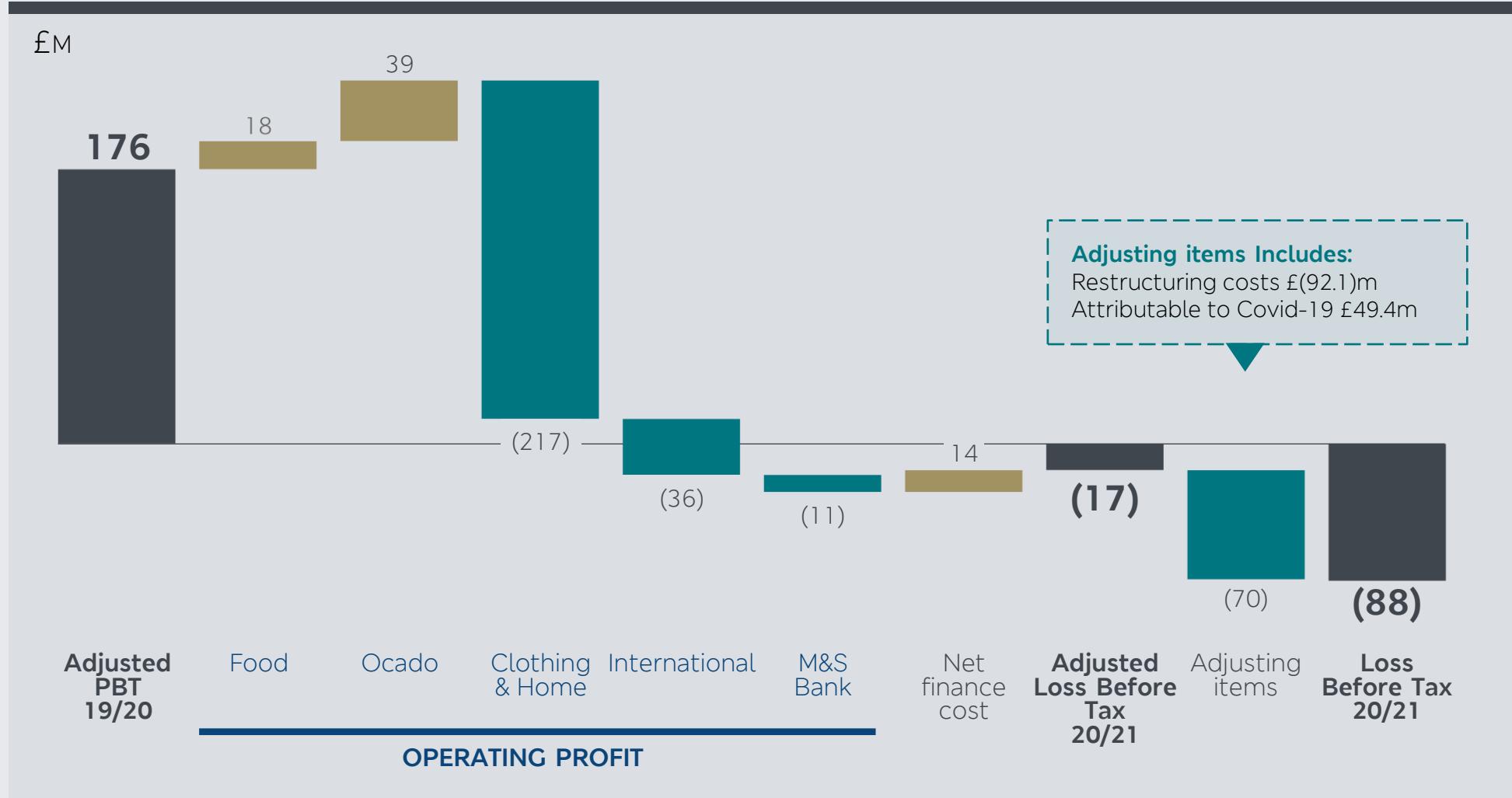


3 for 2 (2-7Yrs)

Rainbow Unicorn Cat Print Dress, £7.00

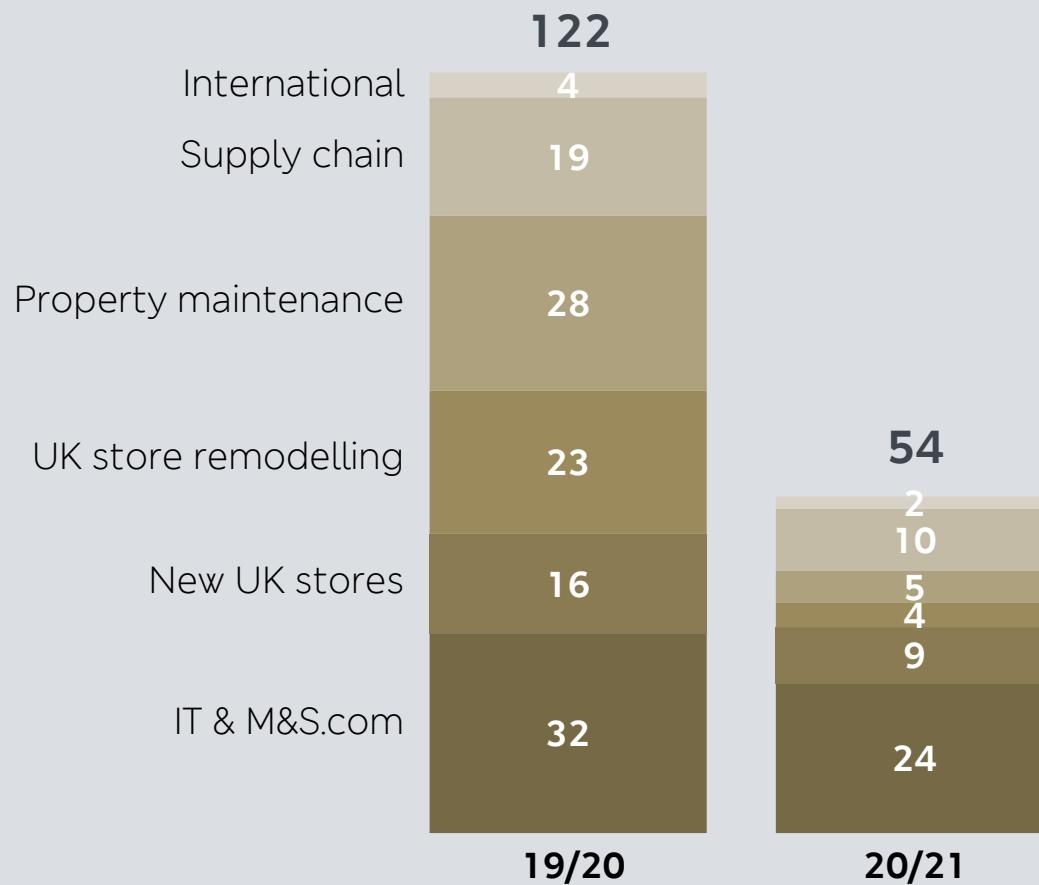
NEVER THE SAME AGAIN PROFIT BRIDGE

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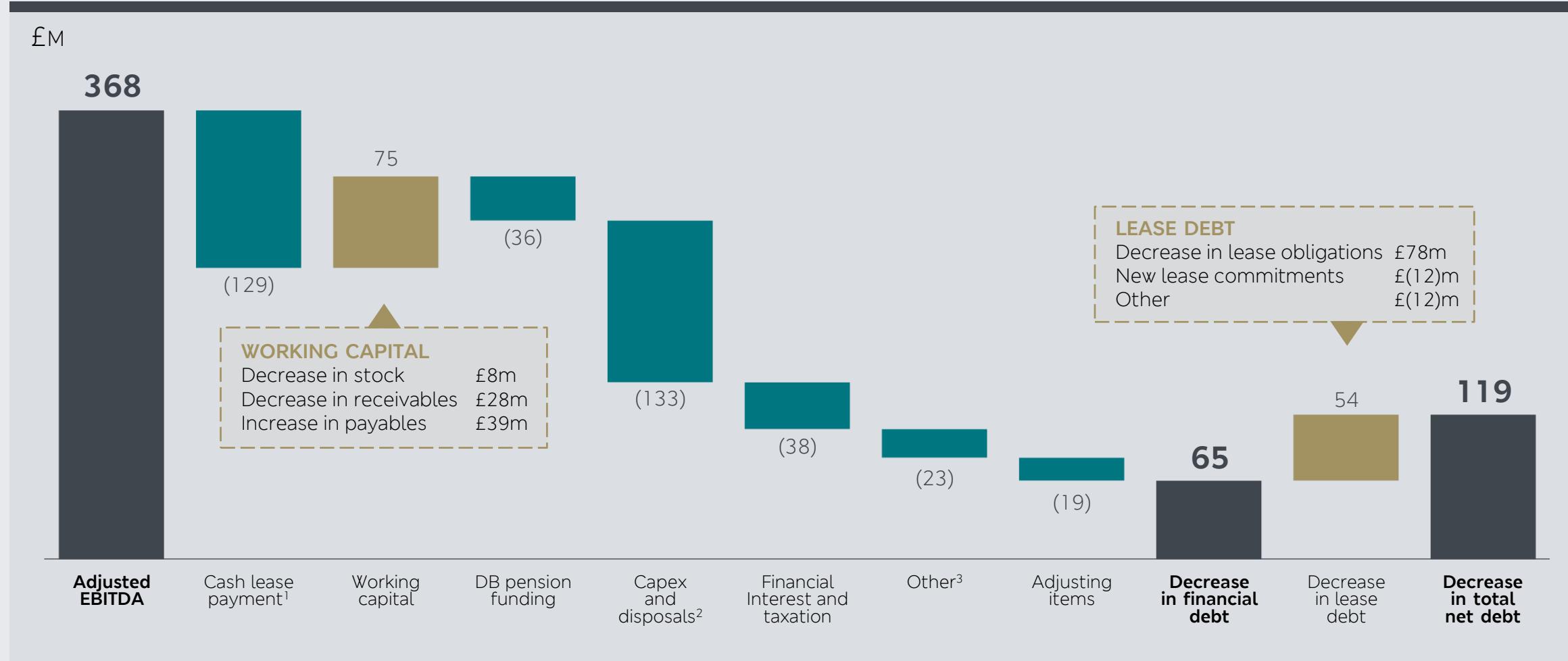


CAPITAL EXPENDITURE BEFORE DISPOSALS

£M



CASH FLOW AND REDUCTION IN NET DEBT

¹ Cash lease payments includes £78m decrease in lease obligations and £52m interest² Includes cash payments of £77m in relation to prior year capital accrual³ Other includes reversal of Ocado income offset by completion of investment in Ocado, employee related share transactions and settlement of derivatives

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SUBSTANTIAL CASH AND UNDRAWN FACILITIES

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Undrawn £1.1bn RCF with significant relaxation/waiver of covenants

Additional £300m CCFF facility available

Cash balances of £286m at the half year end

Limited bond refinancing in near term

£1.39bn

Cash
£286m

Undrawn RCF
£1.1bn

Cash & Available Facilities*

£1.43bn

2021

2023

2025

2027

2037

Debt

*Available facilities number excludes CCFF



M&S COLLECTION

Zebra Print Belted Midi Shirt Dress, £39.50

NEVER THE SAME AGAIN LOOKING FORWARD

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First half results demonstrate resilience of business,
positioned for recovery through Never the Same Again

Recent trading similar to end of Q2. Well set up
through second lockdown, with C&H store sales decline
likely mitigated by online growth and reduced costs

Focus on trading effectively and making it easy for
customers to shop

Well set up for managing Brexit

Plan for disciplined recovery and strengthened
balance sheet



ONLINE ONLY
Unisex Pure Cotton Polo Shirt, £3.00 - £6.00



STEVE ROWE
CHIEF EXECUTIVE OFFICER

NEVER THE SAME AGAIN
OUR PRIORITIES

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1

Faster Food growth with Ocado Retail

2

Capture value in Food supply chain

3

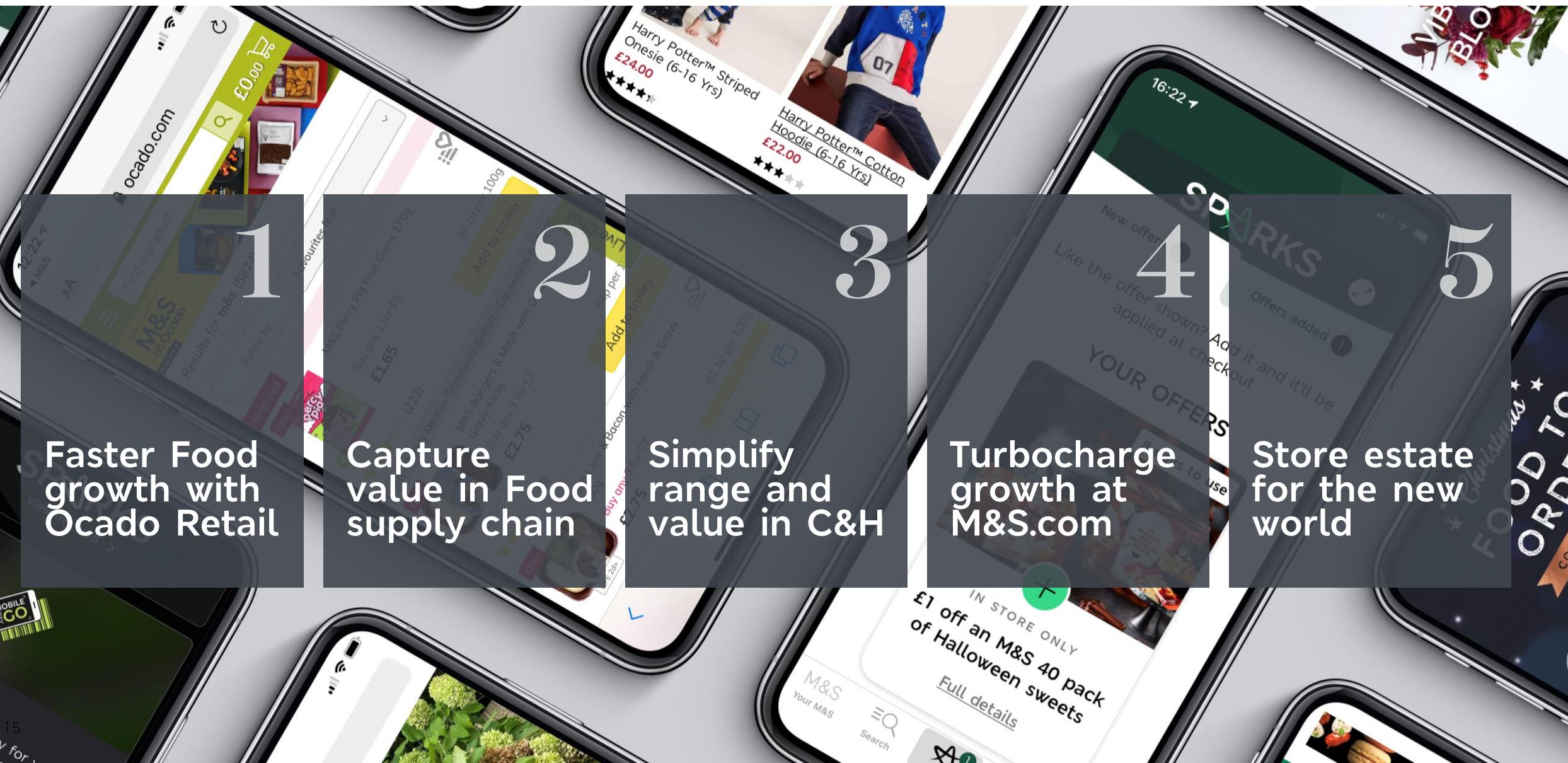
Simplify range and value in C&H

4

Turbocharge growth at M&S.com

5

Store estate for the new world



NEVER THE SAME AGAIN

FASTER FOOD GROWTH – M&S FOOD

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Strong underlying performance – H1 LFL
+6.6% ex-hospitality

Value perception continues to improve driven
by further expansion of Remarksable lines

Strong increase in strategic growth areas
including meat, fish & poultry, grocery
and frozen

Broadening appeal through over 750 new
lines both at M&S and on Ocado.com

Renewal stores performing well with format
implemented across new stores

IMPROVING VALUE PERCEPTION

Net Promoter Score



STRENGTH IN CORE CATEGORIES

% change	% change
Meat, fish, poultry & deli	+16
Produce & flowers	+5
Beers, wines & spirits	+22
Grocery & household	+46
Frozen	+41
Total	+12
Food-on-the-move	-41
Hospitality	-65
Bakery, cakes & biscuits	-
Total	-27

Q2 vs last year



M&S Foodhall Notting Hill

NEVER THE SAME AGAIN

FASTER FOOD GROWTH – SUCCESSFUL OCADO LAUNCH

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Successful launch of M&S products on Ocado.com

Full M&S Food range and selected Clothing & Home lines available offering Ocado customers more choice and better value

Substantial new product development in organic, grocery, Remarksable value and homecare

Heavy demand for M&S range, sales participation over 25% at Ocado driven by key categories

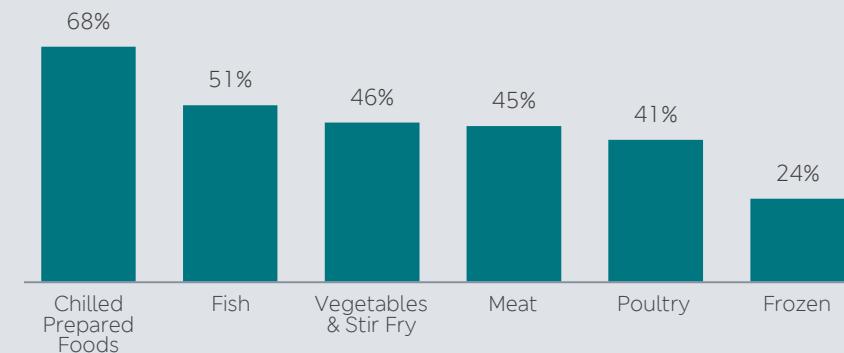
M&S synergies on track – over £15m anticipated in current year

FOOD NPD LINES INCLUDE



M&S ON OCADO – WINNING IN FRESH

M&S % of Ocado category sales 1 Sept – 28 Oct



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FASTER FOOD GROWTH – NEXT WAVE OF OCADO GROWTH

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Exceptional period of growth for Ocado Retail in H1 with sales up 47.9%

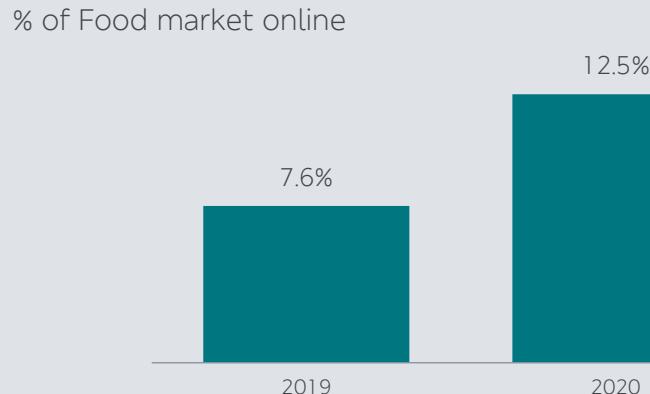
Step change in online penetration and market growth rate since M&S's original investment

Substantial pools of available demand - just beginning to tap into M&S customer base shopping online elsewhere

Now investing in increase of 40% in CFC capacity for 2021

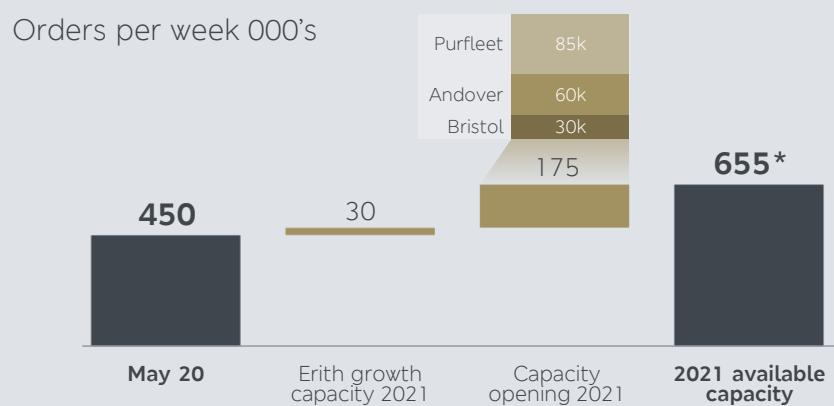
Accelerating planned investment beyond 2021 to drive growth

STEP CHANGE IN ONLINE MARKET



Kantar: 12 w/e 4 October, relates to grocery sales eaten at home only

ADDING 40% MORE CAPACITY IN 2021



* Excludes zoom sites



Substantial opportunity to capture value and lower cost in end to end supply chain

Lowering cost by working with suppliers delivered over £30m in H1 following c£100m in 2019/20, offsetting inflation entirely

Vangarde programme optimising store and depot process now in 159 stores; completes in 2021

First phase delivery in Vangarde of 1.8% sales uplift driven by improved 'ready to trade' position

Tackling availability and smoothing stock flow with new depot in Milton Keynes operational adding 30% ambient capacity ahead of peak

LOWERING COST PROGRAMME – H1 20/21

Benefit Share by Project Type (£M)



- Product Specification
- Procurement Efficiency
- Packaging Specification
- Manufacturing Efficiency
- Raw Material Procurement
- Other

VANGARDE PROGRAMME PROCESS CHANGES



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SIMPLIFY RANGE AND MOVE TO TRUSTED VALUE IN C&H

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C&H ahead of plan in sales and stock

Encouraging performance given city centre stores and strength in formal categories

Further simplifying range – options for AW down 30% in just two years

Removal of blanket promotions such as 'Friends & Family' as we move to trusted value

New store tech and supply chain improvements to lower costs

M&S.COM SHIFTED TO CASUAL AND HOME

% change	Online	Stores	% change	Online	Stores
Casual	+40	-37	Formal	-16	-54
Kids	+83	-31	Holiday	-34	-50
Lingerie & essentials	+87	-37	Shoes & accessories	-20	-55
Home & beauty	+27	-33	Outerwear	-5	-46
Total	+54	-36	Total	-17	-54

Q2 vs last year

OPTION COUNT DOWN 30% OVER 2YRS



HARRY POTTER™
Velvet Glitter Dress (6-16 Yrs), £20.00

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TURBOCHARGE GROWTH AT M&S.COM – H1 PERFORMANCE

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Extraordinary period for M&S.com with growth online across all businesses

Strong growth in traffic and lower returns more than offset lower in-store furniture orders

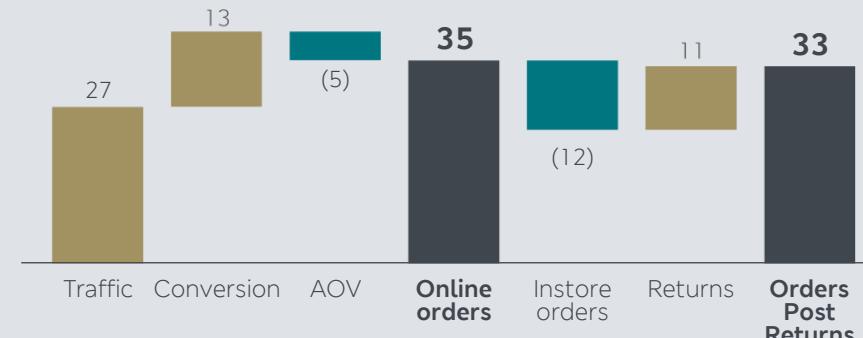
Rapid implementation of Covid measures and investment enabled 47% increase in singles despatch online

Solid market share growth, up 40bps to 5.7% with M&S now #2 online clothing retailer

Growth supported by over 1.5m app downloads since Sparks relaunch

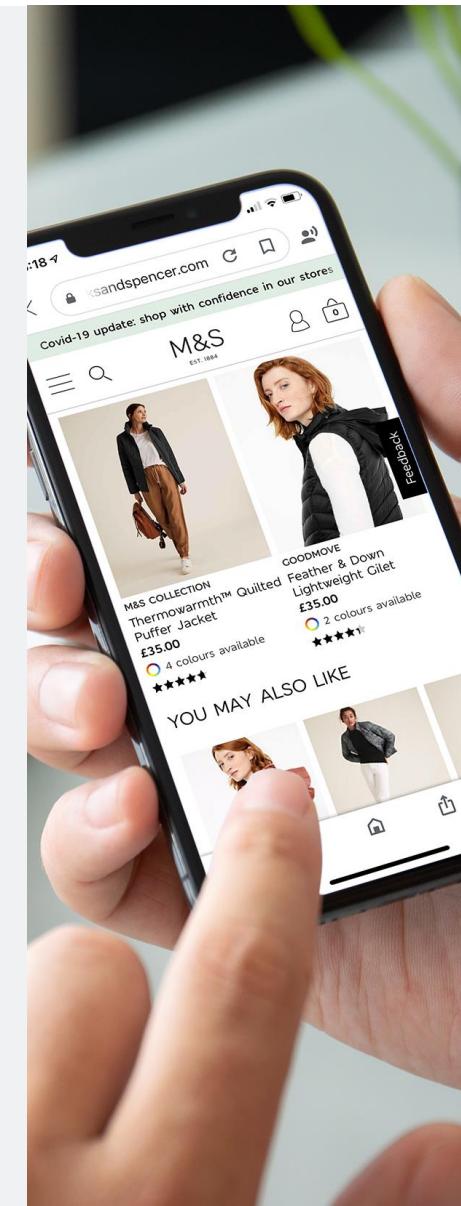
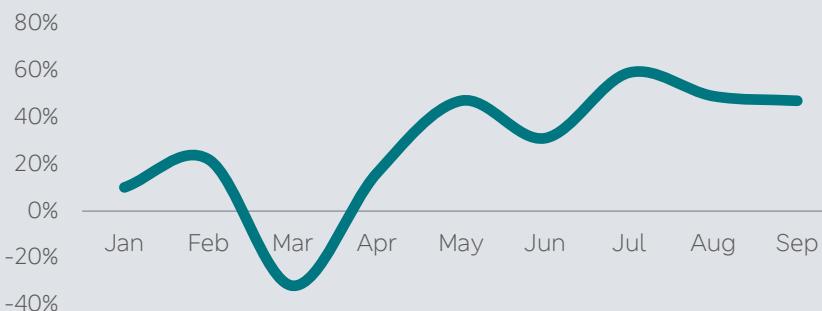
STRONG TRAFFIC GROWTH

YoY % contribution to sales growth



GROWTH IN DONINGTON DESPATCH

Singles



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TURBOCHARGE GROWTH AT M&S.COM – LAUNCHING MS2

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The crisis has highlighted the opportunity for M&S to accelerate change to win online

Investments in platform, data, loyalty and proposition over the last three years enabled strong growth in H1

'MS2' is M&S's vehicle to win in C&H online - bringing together online, data and digital capabilities in one business unit

MS2 will have greater flexibility on product, presentation and pricing, including brand partnerships, and an international focus

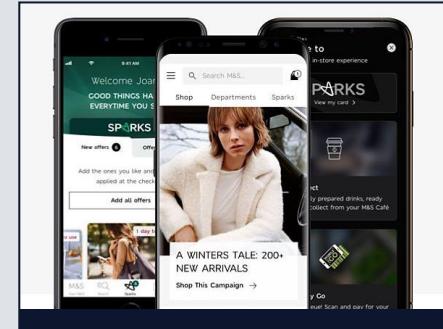
Leveraging the newly created customer data lake and relaunched Sparks programme

Starting with digital 'test and learn' stores it will create a seamless omnichannel shopping experience

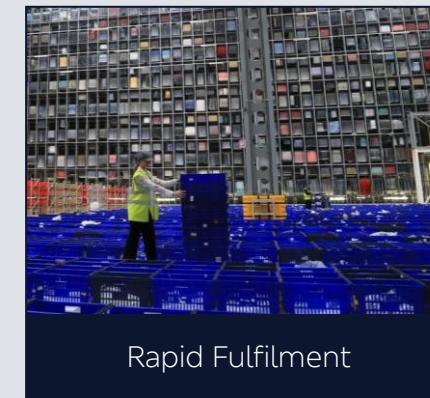
AMBITION TO CREATE A TRULY DIGITAL OPERATION



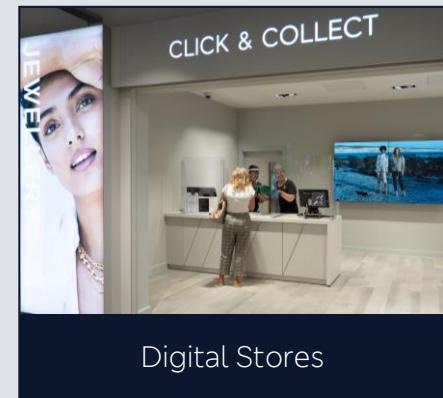
Online Focused Range Including Brands



Loyalty and Data



Rapid Fulfilment



Digital Stores

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STORE ESTATE REINVENTED FOR THE NEW WORLD

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Covid has re-confirmed our strategy to rotate and modernise the estate

Benefits of new stores with good access and parking more than offsets impact of closures

Focus on reducing costs and releasing cash from the Group's asset base to manage liability

Re-gearing of leases starting to contribute with 34% reduction across 11 stores

Partnership with Microsoft enabling effective communication and flexible working

Anticipate annualised productivity savings from restructuring of c.£115m

SHAPE OF CHAIN PERFORMANCE

FOOD		CLOTHING & HOME	
% change	% change	% change	% change
Simply Food +19	High Street -14	Retail Parks -25	High Street -39
Retail Parks +13	Shopping centre -13	Outlets -26	Shopping centre -46
Franchise petrol +9	City centre -29	Food stores -30	City centre -53
M&S.com +119	Franchise Travel -75	Total -25	Total -45
Total +18	Total -26		

Q2 vs last year

ROTATING THE STORE ESTATE



£222m
Sales

£6m
Profit

2.9%
Margin

23 Closures



£228m
Sales

£29m
Profit

12.8%
Margin

19 Openings

Stores closed and opened over past 19 months. Compares anticipated future annual contribution of closure stores with projected contribution including recapture at maturity of new store

NEVER THE SAME AGAIN

WELL SET UP FOR A UNIQUE PEAK

Prioritising colleague health and wellbeing

Giving customers the confidence to shop

Offering new digital tools to make shopping easier

Increasing online distribution capacity to ensure delivery

Product with magic & sparkle to keep Christmas special

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NEVER THE SAME AGAIN

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RECAP – ACCELERATED TRANSFORMATION ACROSS M&S

Robust performance in a period like no other: Strong Food growth and Ocado contribution, C&H recovering with stock well managed

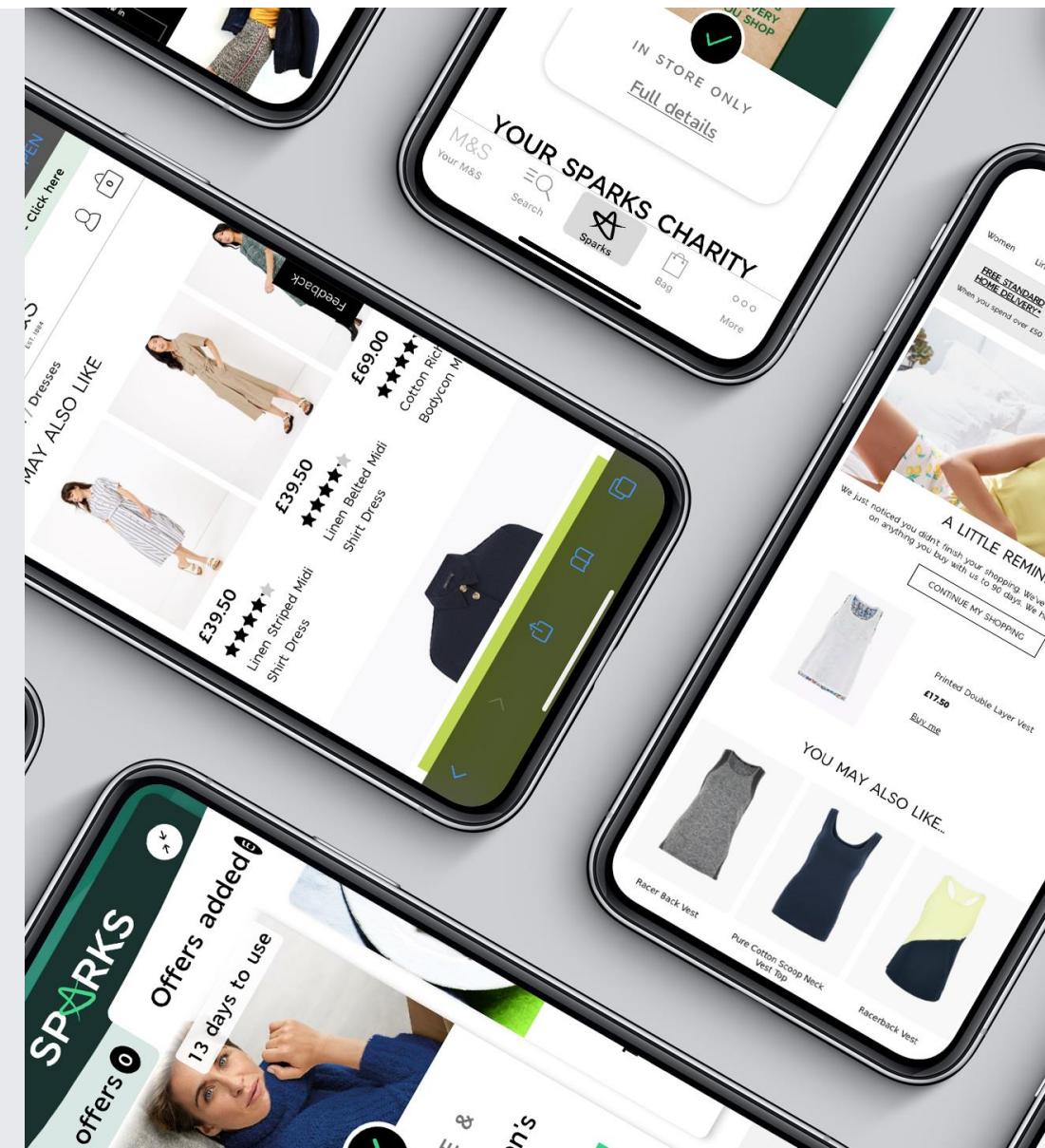
Decisive steps forward in the Never the Same Again programme to accelerate transformation

Successfully delivered the full M&S range onto Ocado and are investing to fuel its future growth

Supported by technology investment we will deliver a more productive store operation next year and beyond

Launching MS2 to bring together our online digital and data capabilities to turbocharge growth at M&S.com

Well prepared to deliver for customers over a unique peak



Appendix



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QUARTERLY SALES PERFORMANCE

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% change to LY	H1	Q1	Q2
Food	-0.3	-2.1	1.6
Food LFL	2.7	2.0	3.4
Clothing & Home	-40.8	-61.5	-21.3
Clothing & Home LFL	-39.3	-59.3	-21.2
Total UK Sales	-14.6	-22.6	-6.6
Total UK LFL	-12.3	-19.2	-5.6
International	-24.7	-40.7	-9.2
Group Adjusted Revenue*	-15.5	-24.3	-6.9
Memo			
M&S.com	38.8	32.4	45.0
Clothing & Home.com	34.3	21.5	46.4
Food LFL ex Hospitality	6.6	6.7	6.5

*at constant currency



Stormwear™

Lightweight Padded Jacket (2-16 Yrs), £16.00

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DEPRECIATION AND AMORTISATION

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	H1 20/21				
£M	Food	C&H	Intl	Other	Group
Group Adjusted operating profit	110	(108)	20	40	62
Depreciation					
Tangible asset	58	86	7	-	151
Right of use asset	41	32	12	-	85
Amortisation	29	38	3	-	70
Write off & disposal costs	1	3	(5)	-	-
Depreciation & Amortisation	130	159	17	-	306
Underlying EBITDA	239	52	37	40	368
Interest payable on leases	26	30	7	-	62

Total Group depreciation & amortisation includes amounts within adjusting items of £12.5m



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ADJUSTING ITEMS

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	£m
Strategic programmes – Organisation	(92.1)
Directly attributable to Covid-19	49.4
Sparks loyalty programme transition	(15.3)
Strategic programme – UK store estate	(2.9)
M&S Bank charges	(1.4)
Other	(7.9)
Total adjusting items	(70.2)



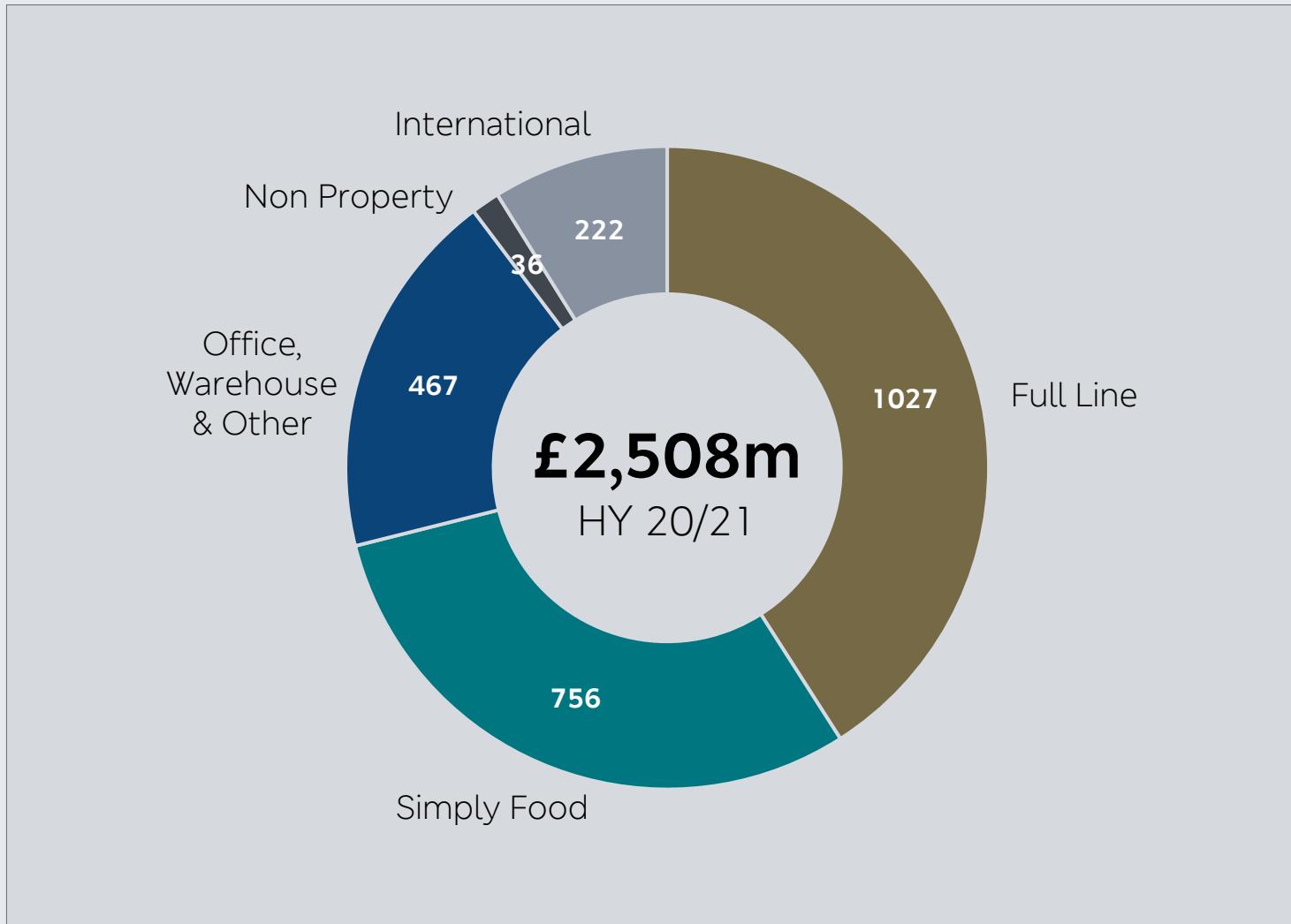
M&S COLLECTION

Herringbone Belted Longline Coat, £99.00

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LEASE LIABILITIES BREAKDOWN

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STORES AND SELLING SPACE

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UK	Selling space (m sq ft)	Sept 20	Mar 20	Openings	Closures	Change
Shopping Centre	1.5	16	16	0	0	0
Retail Park	4.2	73	70	3	0	3
High Street – large	5.4	81	81	0	0	0
High Street	2.4	86	89	0	(3)	(3)
Full line total	13.5	256	256	3	(3)	0
Outlets	0.4	32	32	0	0	0
Simply Food	2.5	313	310	5	(2)	3
Simply Food franchise	0.6	435	440	0	(5)	(5)
UK stores	16.9	1,036	1,038	8	(10)	(2)
C&H	10.4					
Food	6.5					
International		Sept 20	Mar 20	Openings	Closures	Change
Owned/JV	1.8	154	152	3	(1)	2
Franchise	3.3	326	329	7	(10)	(3)
International stores	5.1	480	481	10	(11)	(1)