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## FINAL RESULTS 20 MAY 2020



All profits and VAT from the sale of this T-Shirt will be donated to support NHS staff and volunteers caring for Covid-19 patients

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## AGENDA

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**STEVE ROWE**  
CHIEF EXECUTIVE

**M&S COLLECTION**  
Pure Cotton Collared Sleeveless Shirt  
£12.50

1

Review of  
results of  
transformation  
for 2019/20

2

Business  
response to  
Covid-19 and  
liquidity planning  
for the crisis

3

Never the  
Same Again  
programme  
to accelerate  
change

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## PROGRESS ON TRANSFORMATION IN 2019/20

Adjusted profit of £403m with estimated adverse Covid-19 impact in March of c.£52m

Good progress against key elements of transformation programme prior to Covid-19 impact in March

Valuable investment in Ocado Retail, positioning the business strongly for growth in the UK's fastest growing grocery channel

Food outperforming the market; Clothing & Home responding to transformation changes made in H2

Reporting first time operating profit of £236.7m in Food, £223.9m in Clothing & Home and £110.7m in International



M&S Hedge End

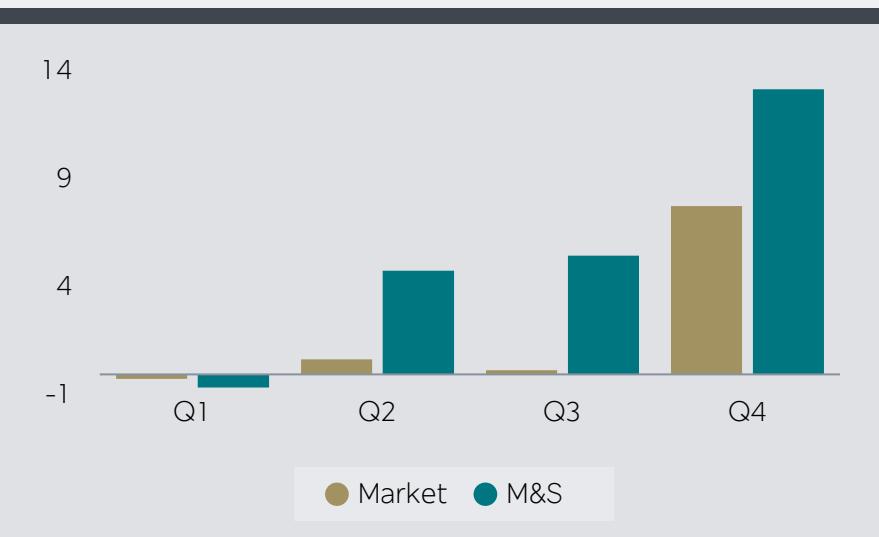
# We're all in this together OUTPERFORMING IN FOOD

- Volume growth of 3.3%, ahead of the market
- Broader appeal through trusted value with 30% reduction in sales on promotions
- Launch of 'Remarkable' value and 'Fresh Market Special' 65p lines resulting in stronger price perception
- New product innovation programme supported by distinctive marketing
- 5 test and learn stores focused on fresh and showcasing more of M&S's full range
- Vangarde supply chain programme rolled out to 90 stores
- Completed acquisition of 50% of Ocado Retail – first time net income of £2.6m

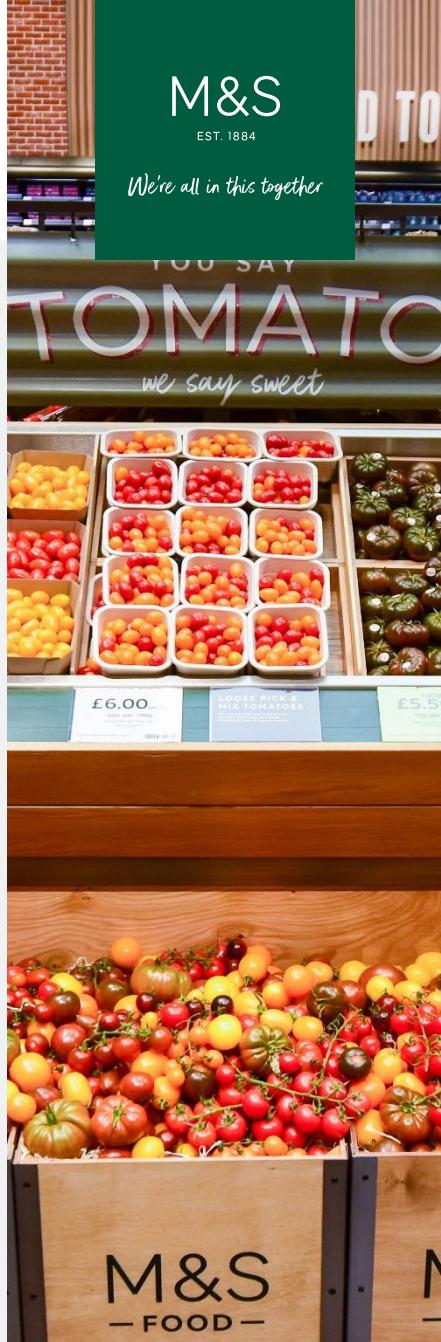
## IMPROVING REVENUE PERFORMANCE

	Jan/Feb	Q4	FY
Total		4.1% 4.8%	2.1%
LFL		3.7% 4.6%	1.9%

## DRIVEN BY STRONG VOLUME GROWTH



Source: Kantar 12w/e closest to period end



Renewal store at Abbey Centre Belfast

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# RE-ENGINEERING CLOTHING & HOME

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- Year of substantial reshaping with improved performance in H2 supported by stronger availability
- Reduced options for A/W by 11% and focused on hero categories backed by marketing
- Strong performance in hero categories – Women's denim now up 10% over 2 years and Men's knitwear LFL +5%
- Successful launch of 'Goodmove' in Active and Kids casual offer refocused
- Online proposition improved with sales level in FY and 12.1% up in Jan/Feb
- Shifting focus in store estate programme to relocation and redevelopment

## IMPROVING PERFORMANCE PRE COVID-19<sup>1</sup>

	Jan/Feb	Q4	FY
Total	-1.7%	-15.7%	-8.3%
LFL	0.3%	-13.8%	-6.2%
UK C&H online	12.1%	-1.3%	-0.2%

<sup>1</sup> Prior year revenue and operating margin has been restated for the reclassification of localised websites from Clothing & Home to International

## SUPPORTED BY STRONGER AVAILABILITY



Goodmove

Printed Double Layer Vest, £17.50

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## CHANGING THE MODEL IN INTERNATIONAL

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- Moved from direct ownership to largely franchise and JV model
- More relevant more often with focus on local events and product designed for the local market
- 12% lower average net selling price from full implementation of pricing reset resulting in volumes up 15%
- Over 70% of all stores now modernised
- Launch of new websites and expansion of ranges on marketplaces leading to online retail sales growth of 26%

### STRONGER SHIPMENTS PRE COVID-19<sup>1</sup>

	Jan/Feb	Q4	FY
Owned	-1.2%	-13.1%	-2.3%
Franchise	16.8%	-0.3%	-4.0%
Revenue	6.6%	-7.3%	-3.0%

<sup>1</sup> Prior year revenue and operating margin has been restated for the reclassification of localised websites from Clothing & Home to International

### NEWLY MODERNISED STORE AT ONE RAFFLES PLACE SINGAPORE



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# 2019/20 FINANCIALS AT A GLANCE

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DAVID SURDEAU  
INTERIM CFO

Group revenue

**£10.2bn**  
-1.9%

Profit before tax  
& adjusting items

**£403.1m**  
-21.2%

Profit before tax

**£67.2m**  
-20.2%

Free cashflow

**£225.0m**  
-61.3%

Net debt

**£4.03bn**  
-1.2%

Net debt excluding  
lease liabilities

**£1.46bn**  
-2.6%

Dividend per share

**3.9p**  
-70.7%

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**FOOD PERFORMANCE**

### OPERATING PROFIT

£M	19/20	18/19	%
Revenue	6,028	5,903	2.1
<b>Adjusted operating profit</b>	<b>237</b>	<b>213</b>	<b>11.2</b>
Operating margin	3.9%	3.6%	

### OPERATING MARGIN

<b>18/19</b>	<b>3.6%</b>
Gross margin	-50bps
Store staffing	+30bps
Other store costs	+30bps
Distribution & warehousing	-20bps
Central costs	+40bps
<b>19/20</b>	<b>3.9%</b>



Renewal store at Hedge End

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**CLOTHING & HOME PERFORMANCE**

**OPERATING PROFIT<sup>1</sup>**

£M	19/20	18/19	%
Revenue	3,209	3,500	-8.3
<b>Adjusted operating profit</b>	<b>224</b>	<b>355</b>	<b>-37.0</b>
Operating margin	7.0%	10.1%	

<sup>1</sup> Prior year revenue and operating margin has been restated for the reclassification of localised websites from Clothing & Home to International

**OPERATING MARGIN**

18/19	10.1%
Gross margin	-120bps
Store staffing	-50bps
Other store costs	-60bps
Distribution & warehousing	-30bps
Central costs	-50bps
19/20	7.0%



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Picnicware

From £14 for a set of 4 plates

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## INTERNATIONAL PERFORMANCE

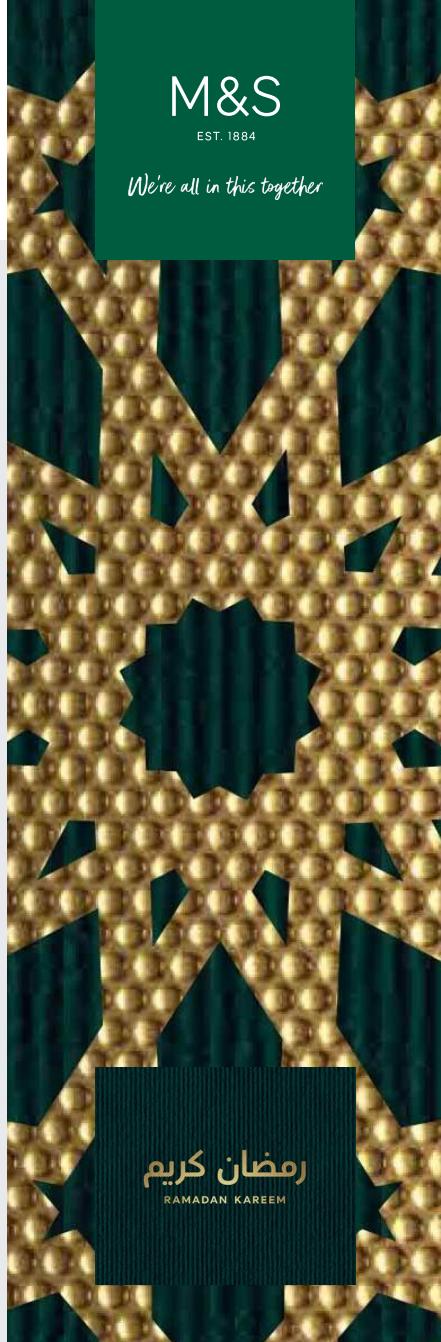
### REVENUE<sup>1</sup>

£M	19/20	18/19	cc%
Franchise	393	409	-3.8
Owned	552	565	-1.6
<b>Total</b>	<b>945</b>	<b>974</b>	<b>-2.5</b>

<sup>1</sup> Prior year revenue and operating margin has been restated for the reclassification of localised websites from Clothing & Home to International

### OPERATING PROFIT

£M	19/20	18/19	%
Franchise	64.9	72.3	-10.2
Owned	56.7	70.8	-19.9
Corp costs	(10.9)	(12.6)	13.5
<b>Total</b>	<b>110.7</b>	<b>130.5</b>	<b>-15.2</b>



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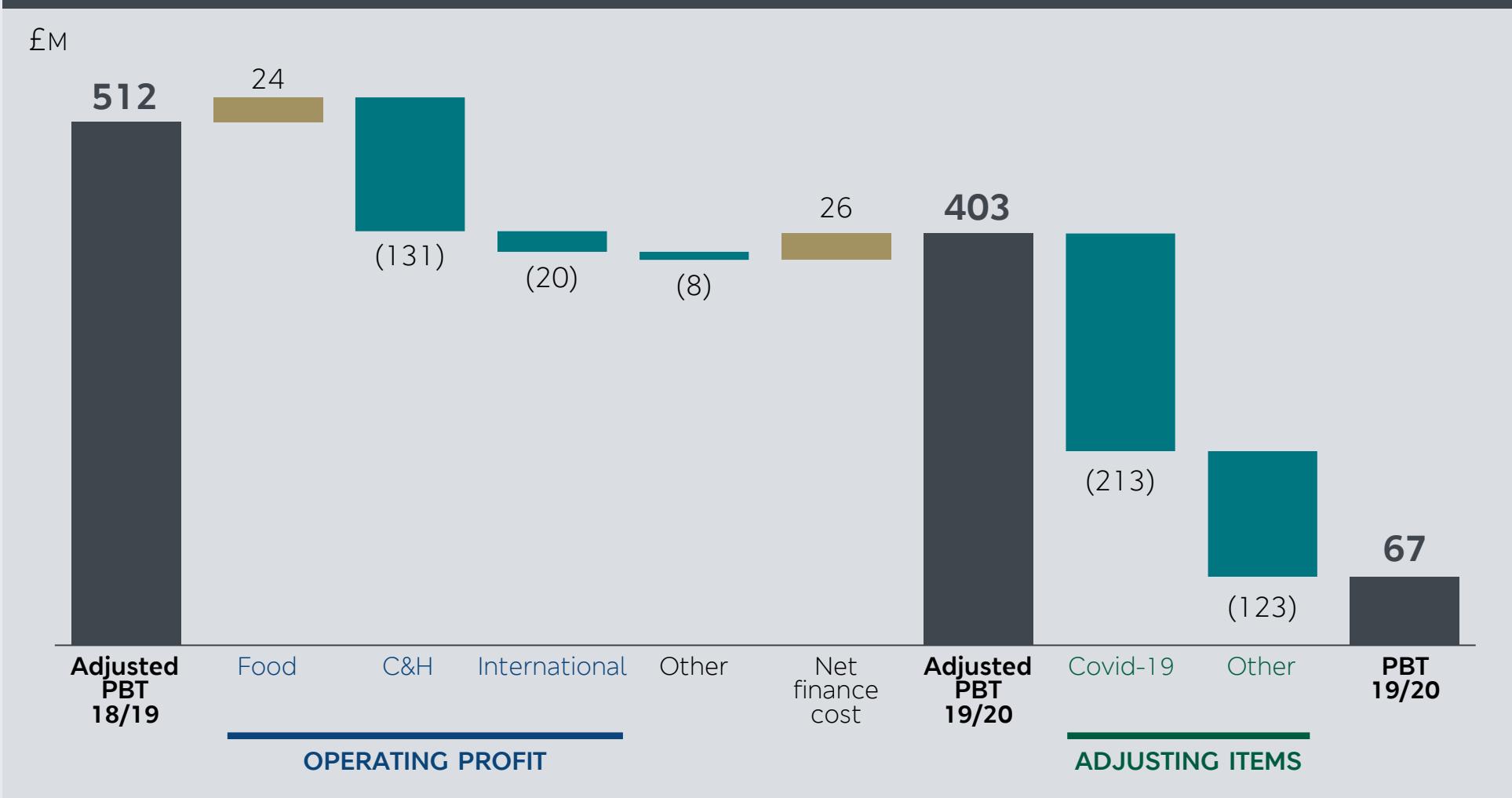
رمضان كريم  
RAMADAN KAREEM

M&S Saudi Arabia website

# We're all in this together **PROFIT BRIDGE**

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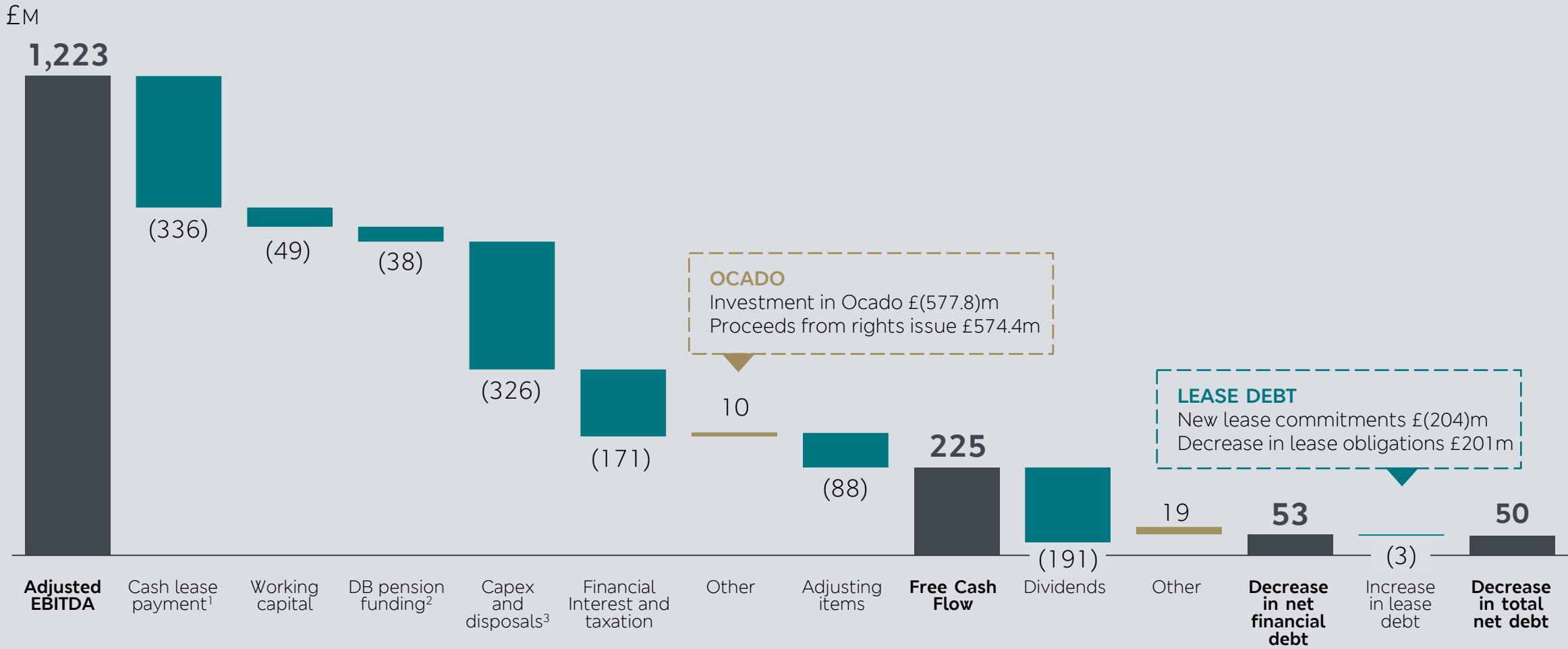
Pure Cotton Floral Shirred Bardot Dress  
£14.00

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# TOTAL EBITDA OF £1.2BN AND REDUCTION IN NET DEBT

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<sup>1</sup> Cash lease payments includes £201m decrease in lease obligations and £135m interest

<sup>2</sup> Total pension payments during the year amounted to £108.3m

<sup>3</sup> Includes cash payments in relation to prior year capital accruals

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# PLANNING LIQUIDITY UNDER COVID-19 SCENARIO

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## SCENARIO PLANNING

View from the outset that the direct impact from the crisis will last through the year

Planning costs and cash against a Covid-19 scenario, which has been further 'stress tested' – not a forecast

Over £1bn of steps to reduce costs and manage cash

With £1.4bn of RCF and CCFF liquidity expect to have significant headroom over next 18 months

## COVID-19 SCENARIO

UK Clothing & Home; 70% revenue decline until July, with gradual return to budgeted levels

UK Food; 20% revenue decline until July

International Clothing & Home follows a similar pattern to UK

## QUARTERLY REVENUE SCENARIO VS. BUDGET

	Q1	Q2	Q3	Q4	FY
UK C&H	-74	-61	-40	-6	-46
UK Food	-20	-6	-	-	-6
International*	-51	-20	-9	-9	-22

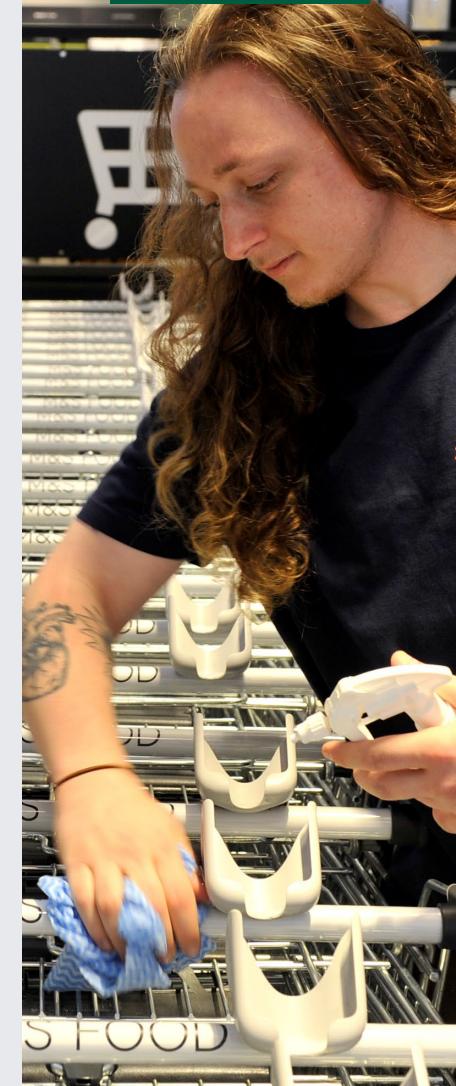
\*Constant currency

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# COSTS AND CASH ACTIONS IN EXCESS OF £1BN

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## COST REDUCTIONS

Clothing & Home marketing	<b>£50m</b>
Deferred pay increase, recruitment and technology	<b>£80m</b>
Lower Clothing & Home logistics	<b>£60m</b>
Lower staffing costs	<b>£40m</b>
Initial occupancy cost savings	<b>£20m</b>
International	<b>£30m</b>

## GOVERNMENT MEASURES

Business rates relief	<b>£172m</b>
Furlough receipts	<b>£50m</b>

## CASH MANAGEMENT ACTIONS

Capex reductions	<b>£195m</b>
Saving from cancellation of dividends	<b>£340m</b>
Cancellation of stock	<b>£100m</b>

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# GROUP CASH AND AVAILABLE CREDIT FACILITIES

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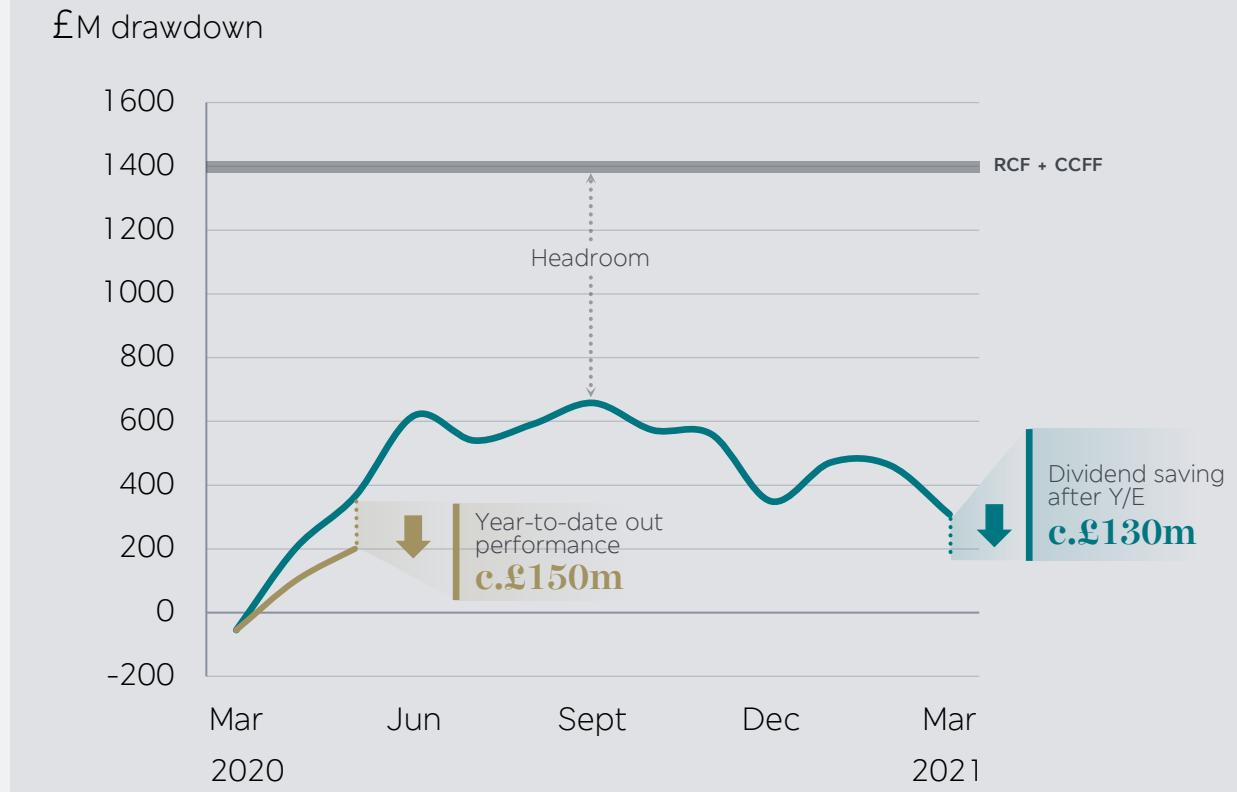
Negotiated significant relaxation/waiver of covenants on £1.1bn RCF at next three tests

Confirmed as eligible issuer under the Government's CCFF programme with financing allocation of £300m

Under the Covid-19 scenario close the year with drawings of £300-350m with further savings from final dividend after year end

Year-to-date cash performance c.£150m better than Covid-19 scenario

## DRAWDOWN AND HEADROOM UNDER SCENARIO



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## ACTIONS TO MANAGE CLOTHING & HOME STOCK FLOW

Cancelled c.£100m of orders and radically reduced future intake

Written down prior season stock and assumed deeper sale and reduced sell through

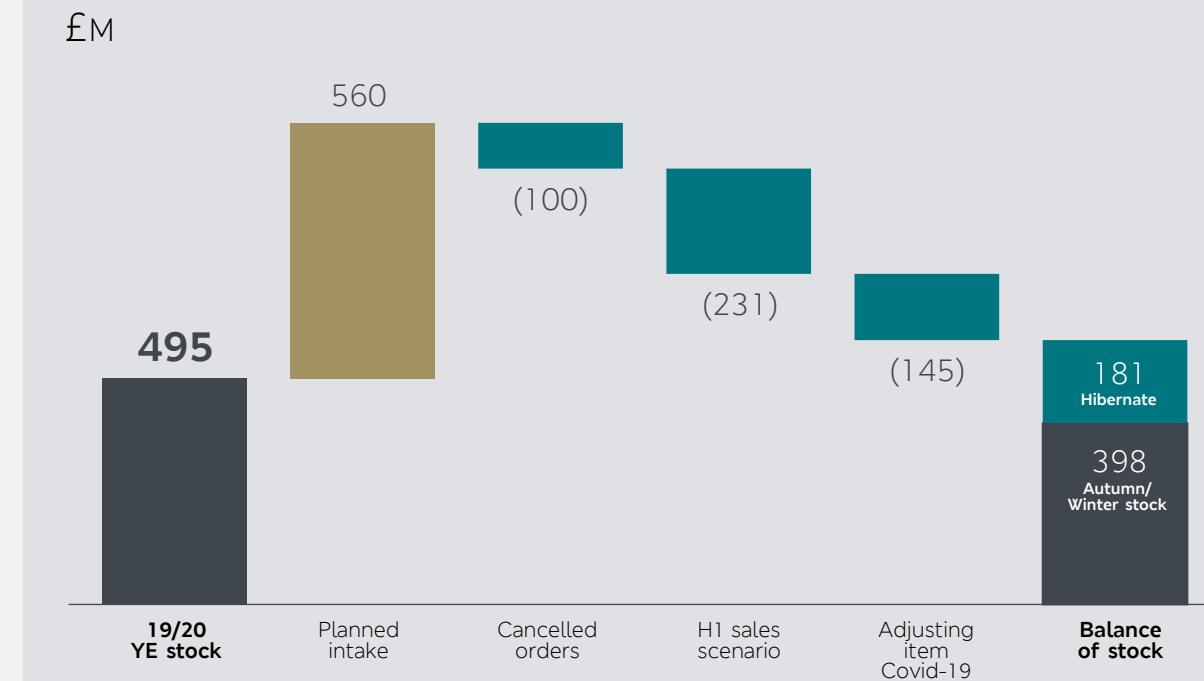
Hibernated c.£200m of seasonal stock and secured appropriate storage facilities

Flowed c.£400m of stock to Autumn/Winter

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### CLOTHING & HOME STOCK FLOW



Opportunity to radically reshape the buy for 2021

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## RECENT TRADING PERFORMANCE

Store sales in Clothing & Home substantially reduced

Online sales up 19.9%, recovering after lockdown and now performing strongly

Food performance temporarily impacted by café and transit location closures

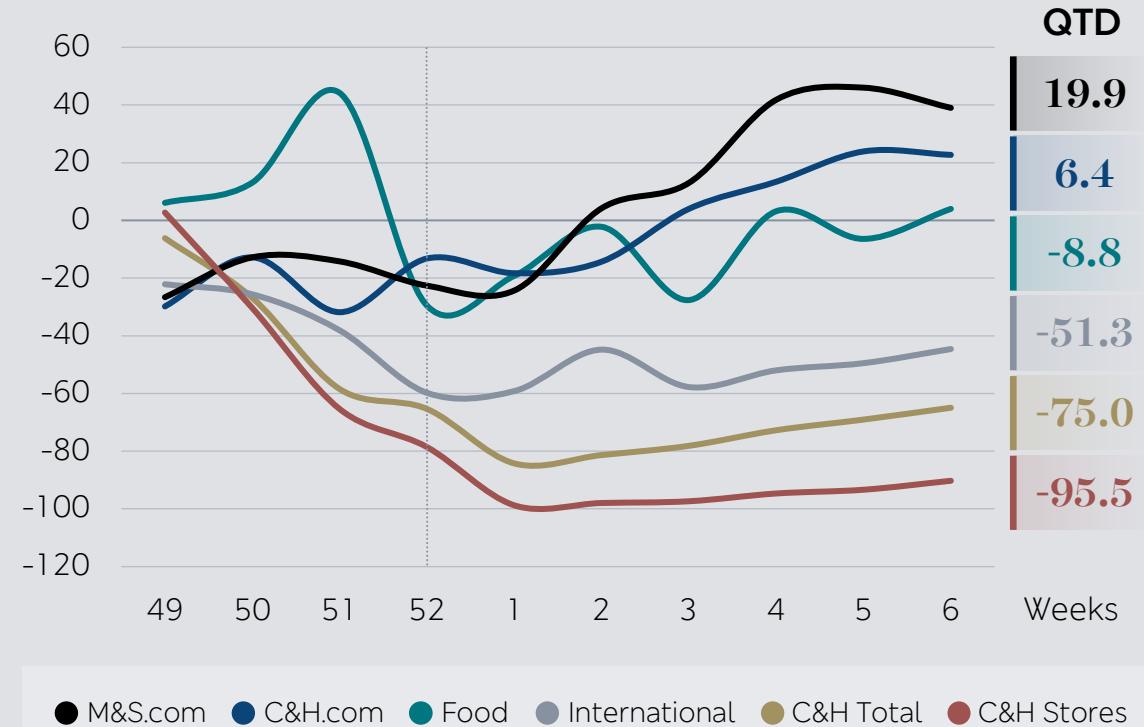
Change in customer habits led to adverse margin mix in early lockdown – now recovering

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### TRADE PERFORMANCE SINCE MARCH

% total sales ex. VAT



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## LESSONS FROM THE CRISIS

- Execute faster with smaller executive team
- Deploy store colleagues and operate flexibly across Clothing & Home and Food
- Think like a 'pure play' to accelerate online growth
- Devolve additional responsibility to sourcing offices and buy more from fewer suppliers
- Offer trusted value across Clothing as well as Food
- Recycle store estate far more quickly

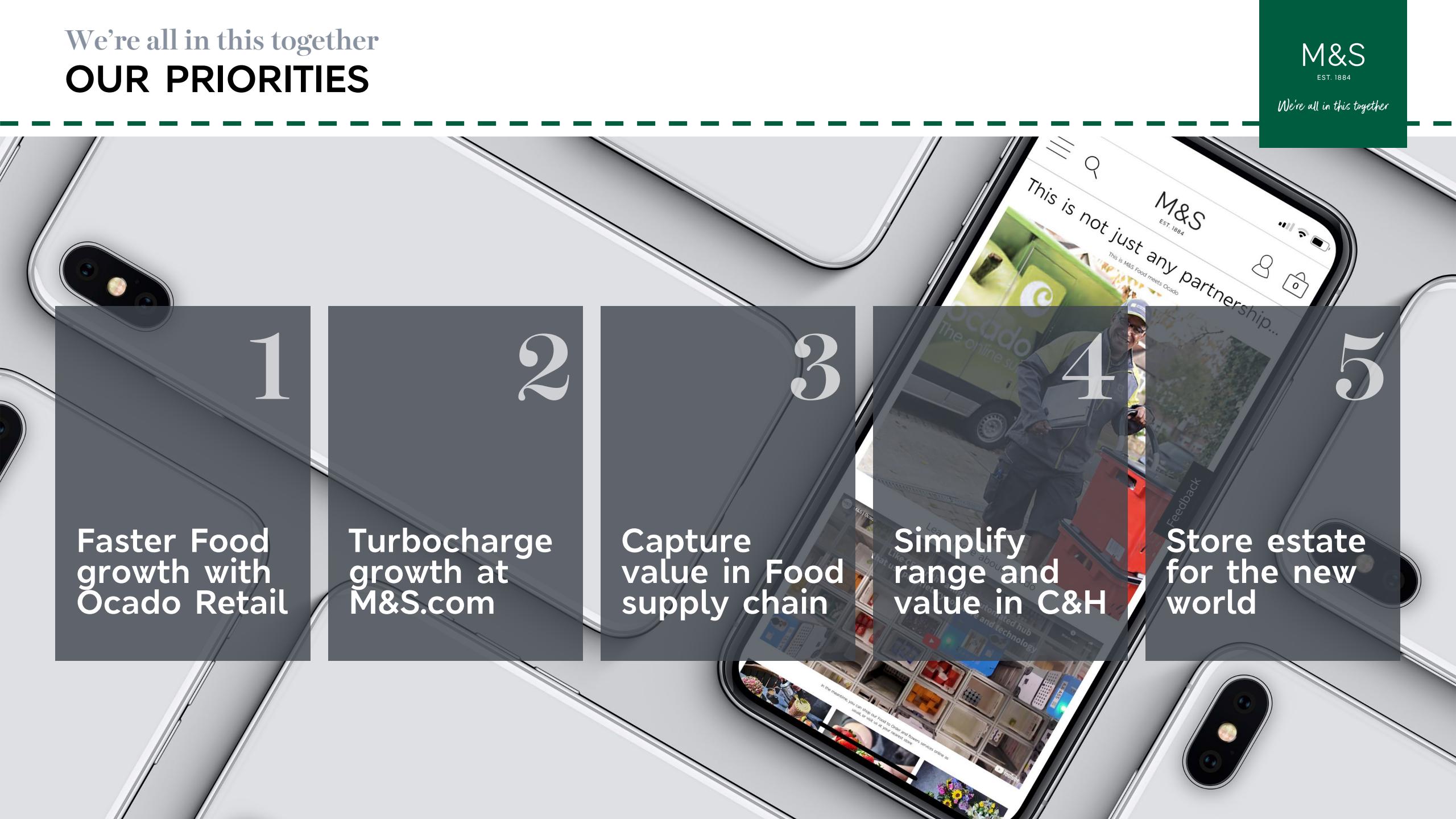


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**AUTOPHROGRAPH**  
Pure Cashmere Roll Neck Jumper  
£89.00

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**OUR PRIORITIES**



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1

Faster Food growth with Ocado Retail

2

Turbocharge growth at M&S.com

3

Capture value in Food supply chain

4

Simplify range and value in C&H

5

Store estate for the new world

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## FASTER FOOD GROWTH WITH OCADO RETAIL

Launching in September with over 6,000 M&S Food lines including 1,000 newly developed products

Adding c.1,600 Clothing & Home lines on Ocado to drive online growth

Switchover on track with planned synergies of £70m by 2023

Ocado Retail sales up 40.4% in its Q2 to date

Ocado Zoom – ideal channel for M&S food to go and meals already operating at capacity a year ahead of plan

Capacity ramping up at speed - Purfleet, Bristol & Andover rebuild in next 24 months



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# We're all in this together **TURBOCHARGE GROWTH AT M&S.COM**

Integrated digital, data and technology team to accelerate online growth

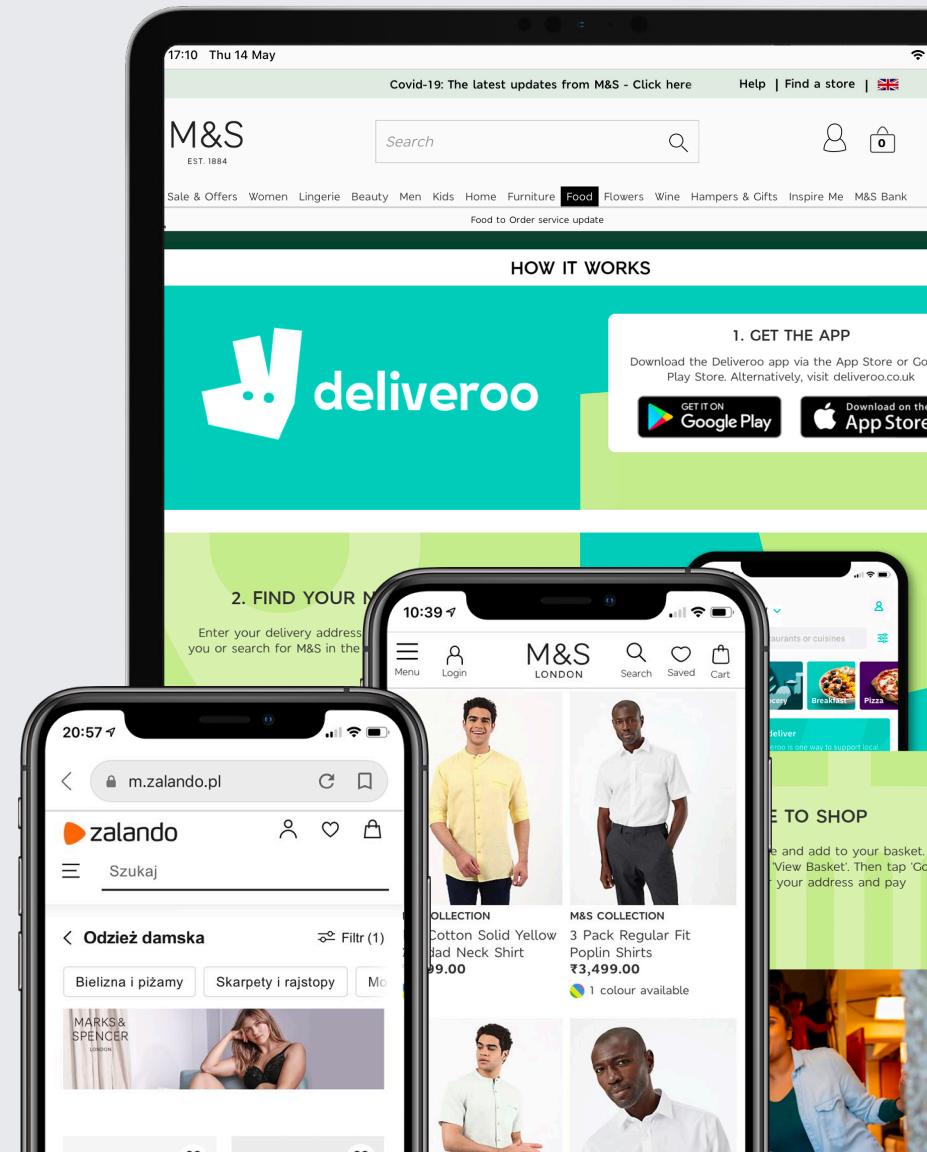
Drive customer acquisition and growth momentum through relaunch of Sparks and developing payment options

SEO war room and targeting a doubling of app users with 450,000 additions since March

Now on Deliveroo from over 40 M&S stores

Introduce guest brands to target £100m additional revenue in 2 years

Build International through local websites and marketplace growth such as Zalando which launched in March



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## CAPTURE VALUE IN FOOD SUPPLY CHAIN

Major opportunity in Food supply chain to improve efficiency and drive sales

Vangarde programme is optimising processes in the end to end supply chain to deliver more productive stores

Now rolled out to 90 stores from Barnsley depot, resulting in lower waste and higher sales than control stores

New M&S ambient DC planned for Q3 to ensure sufficient network capacity and a smoother flow of stock

Resolve problematic supply contract with Gist



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M&S Barnsley depot

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## SIMPLIFY RANGE AND VALUE IN C&H

Deeper focus on 'hero' categories such as denim and knitwear with market leading shares

Simpler ranges, concentrated supply base and more involvement by sourcing offices

Ambition to reduce A/W SKUs substantially resulting in 30% cut over 2 years

Reducing promotions and moving to trusted value with much sharper everyday pricing

Developing 'test and re-order' capability for fast fashion from nearshore suppliers



Manchester Market Street store

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## STORE ESTATE FOR THE NEW WORLD

Rapid assessment of store portfolio for a post Covid-19 world

Closures on track – 54 shared stores already closed out of existing 110 store plan

Never a better time to relocate off pitch stores and improve quality of space – ambition to open 25 new shared stores

Open negotiations with landlords on onerous leases where terms are no longer viable

Accelerating proposals for redevelopment of large city centre stores on prime sites



Yorkshire Street Rochdale closed on April 5 2020



New M&S full line store opened at Rochdale Riverside on April 6 2020

# We're all in this together **NEVER THE SAME AGAIN**

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Year of progress and change with transformative investment in Ocado Retail, outperformance in Food and green shoots in Clothing in H2

Scenario planning for a deep crisis from the start to ensure comfortable liquidity headroom

Robust trade and cash outperformance year to date

Determined to capture this moment of learning to deliver a renewed and stronger business in a world that will never be the same again



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M&S Hempstead Valley



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## APPENDIX 20 MAY 2020



All profits and VAT from the sale of this T-Shirt will be donated to support NHS staff and volunteers caring for Covid-19 patients

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## ADJUSTING ITEMS

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	Covid-19 related*	£m
Strategic programmes		
UK store estate	(11.6)	(29.3)
Organisation		(13.8)
Operational transformation		(11.6)
IT restructure		(0.4)
UK logistics		(10.2)
Changes to pay and pensions		(2.9)
International closures		(2.2)
M&S Bank charges		(12.6)
Store impairments and other property charges	(24.2)	(78.5)
Directly attributable to Covid-19	(163.6)	(163.6)
Impairment of per una goodwill	(13.4)	(13.4)
Other		2.6
<b>Total adjusting items</b>	<b>(212.8)</b>	<b>(335.9)</b>

\*Included in total



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# CAPITAL EXPENDITURE BEFORE DISPOSALS

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£M



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## STORES AND SPACE

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UK	Mar 20	Mar 19	Openings	Closures	Change
Shopping Centre	16	16	0	0	0
Retail Park	70	70	1	(1)	0
High Street – large	81	82	0	(1)	(1)
High Street	89	107	0	(18)	(18)
Outlets	32	34	0	(2)	(2)
Simply Food owned	310	301	11	(2)	9
Simply Food franchise	440	433	9	(2)	7
Add back downsize to Simply Food <sup>1</sup>	-	-	(1)	1	0
<b>UK stores</b>	<b>1,038</b>	<b>1,043</b>	<b>20</b>	<b>(25)</b>	<b>(5)</b>
Selling space (absolute, m sq ft)	16.8	17.2			
C&H	10.4	10.6			
Food	6.5	6.6			
International	Mar 20	Mar 19	Openings	Closures	Change
Owned	152	136	18	(2)	16
Franchise	329	308	29	(8)	21
<b>International stores</b>	<b>481</b>	<b>444</b>	<b>47</b>	<b>(10)</b>	<b>37</b>
Selling space (absolute, m sq ft)	5.0	4.9			

<sup>1</sup>One Retail Park was downsized from Full Line to Simply Food owned