

# Full year results 2009/10

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Ian Dyson

Group Finance and  
Operations Director

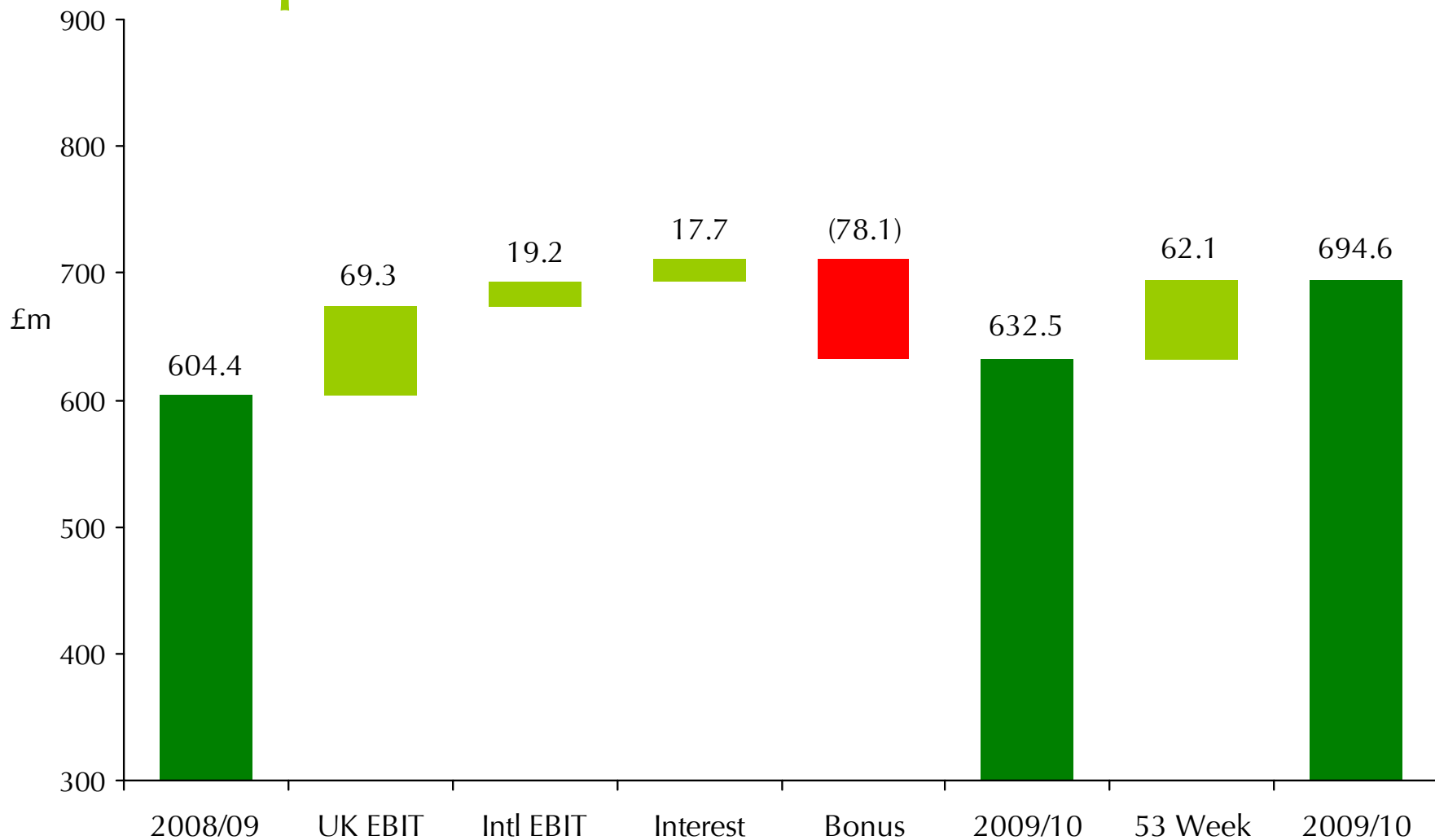
# Group financial highlights

- Sales £9.3bn<sup>1</sup>, +3.2%
- Profit before tax<sup>2</sup> £632.5m, +4.6%
- Adjusted earnings per share<sup>2</sup> 30.0p, +7.1%
- Net cash generated £412m
- Net debt £2.1bn, down from £2.5bn
- Final dividend 9.5p; full year dividend 15.0p

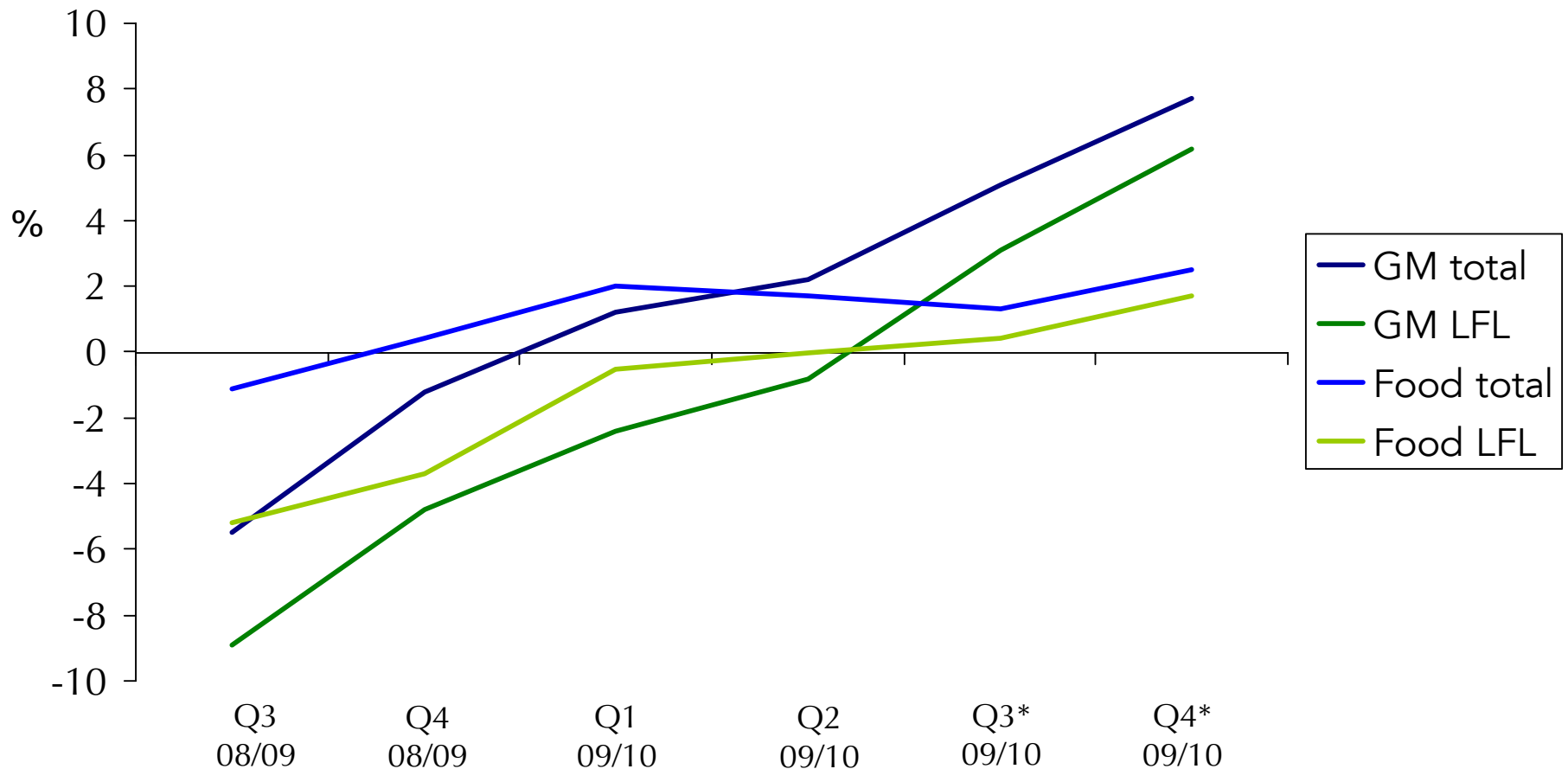
<sup>1</sup>Income statement shown on a 52 week basis

<sup>2</sup>Before property disposals and 52 weeks

# Group PBT 2009/10



# UK sales trend



\*Adjusted for the timing of the Christmas sale

# UK gross margin 2009/10

## GM

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- 52.5%, up 70bps
- Better buying
- ASP inflation through mix
- Better markdowns

## Food

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- 30.6%, down 95bps
- Investment in price
- Increased promotional activity
- Improvement in shrinkage and waste

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**2009/10 margin: -5bps**

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# UK gross margin 2010/11 guidance

## GM

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- Input cost pressure
- Currency
- Better buying
- Better markdowns

## Food

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- Price realignment completed
- Market conditions
- More efficient promotions
- Reduction in waste

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**2010/11 year guidance: level on last year**

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# UK operating costs 2009/2010

	£m	%
<b>2008/2009 operating costs*</b>	<b>2,741</b>	
Depreciation	14	+0.5
Space growth and volumes	89	+3.2
Inflation	70	+2.5
<b>Underlying savings</b>	<b>(145)</b>	<b>-5.3</b>
<b>2009/10 operating costs*</b>	<b>2,769</b>	<b>+1.0</b>

\*Before bonus



# UK operating costs 2009/10

	TY £m	LY £m	Var +/- %
Retail staffing	858.4	863.3	-0.6
Retail occupancy	972.7	948.0	+2.6
Distribution	394.4	410.3	-3.9
Marketing & related	122.9	127.4	-3.5
Support	420.9	391.6	+7.5
<b>Total before bonus</b>	<b>2,769.3</b>	<b>2,740.6</b>	<b>+1.0</b>
Bonus	80.9	2.8	-
<b>Total including bonus</b>	<b>2,850.2</b>	<b>2,743.4</b>	<b>+3.9</b>

# UK operating cost 2010/11 guidance

%

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Depreciation	c.1.5
Space growth	+2.0-2.5
Inflation	+2.0-3.0
Underlying savings	-1.5-2.0

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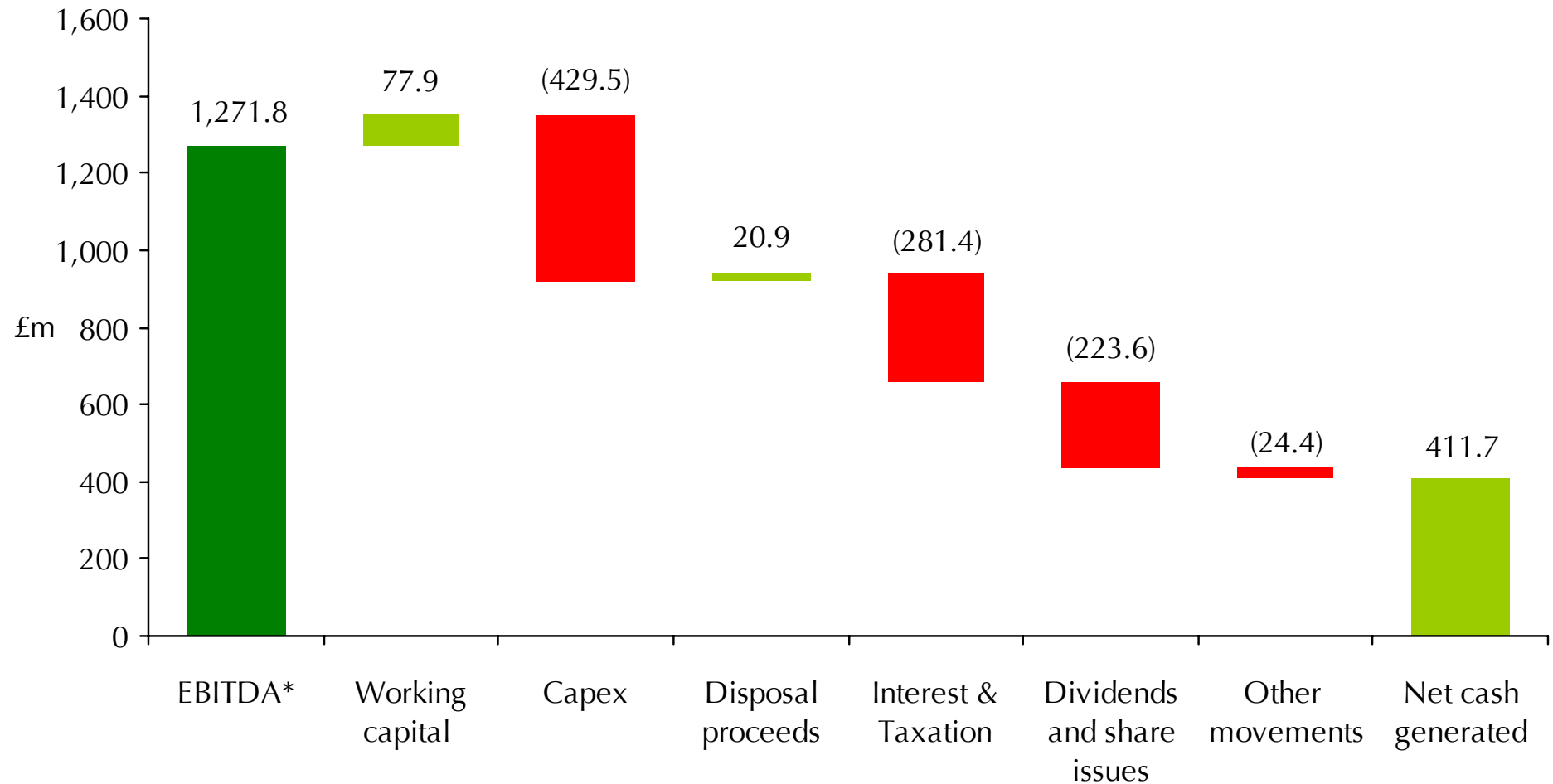
| **2010/11 operating costs\* guidance** | **+4.0-5.0** |

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- Bonus £30-40m if we achieve operating plan

\*Before bonus

# Cash flow



\*Before property disposals



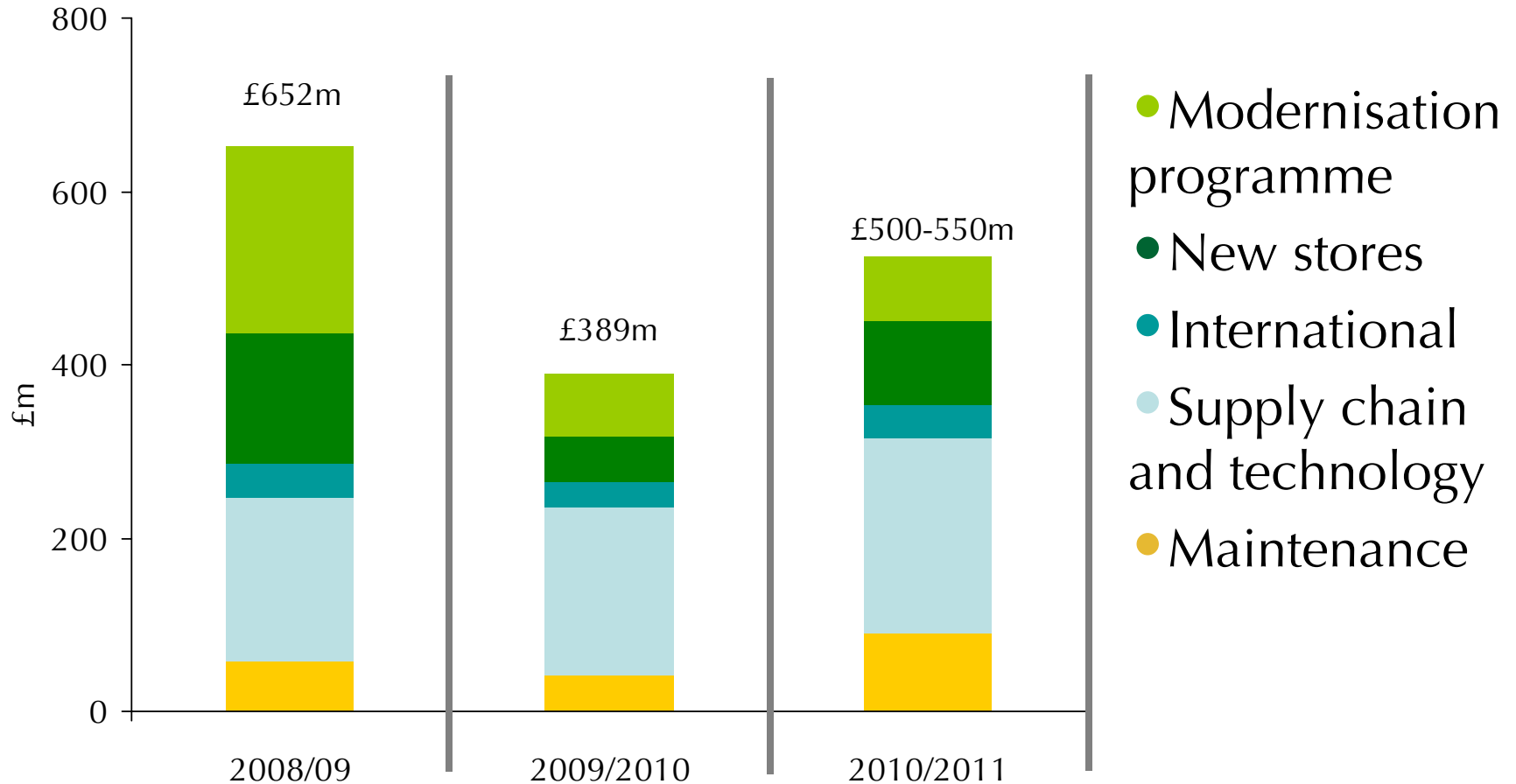
# Balance sheet and financing

- Net debt £2.1bn (LY £2.5bn)
- Improved credit metrics
- Bond refinancing; improved maturity profile
- Average rate 5.9%
- Pension funding plan agreed

# Pensions

- £1.3bn actuarial deficit; £800m funding plan
- Key elements
  - £376m cash contribution over 10 years
  - £300m further interest in the Property Partnership
  - £124m US\$ hedge asset transfer
- Tax efficient structure
- £7m one-off US\$ hedge novation cost
- IAS 19 deficit £367m
  - 2010/11 net pension finance income c.£38m (2009/10 – £10.8m)

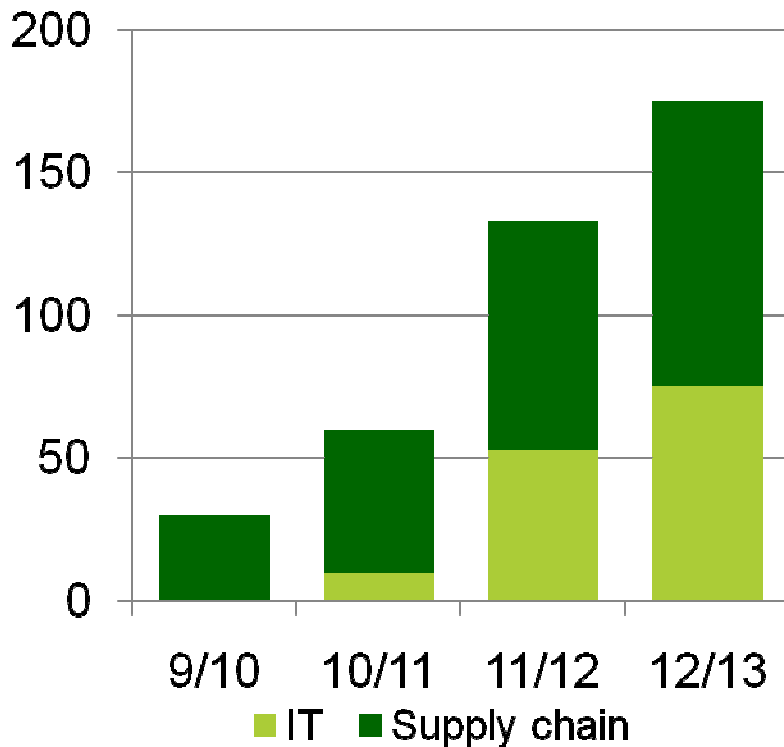
# Capital expenditure



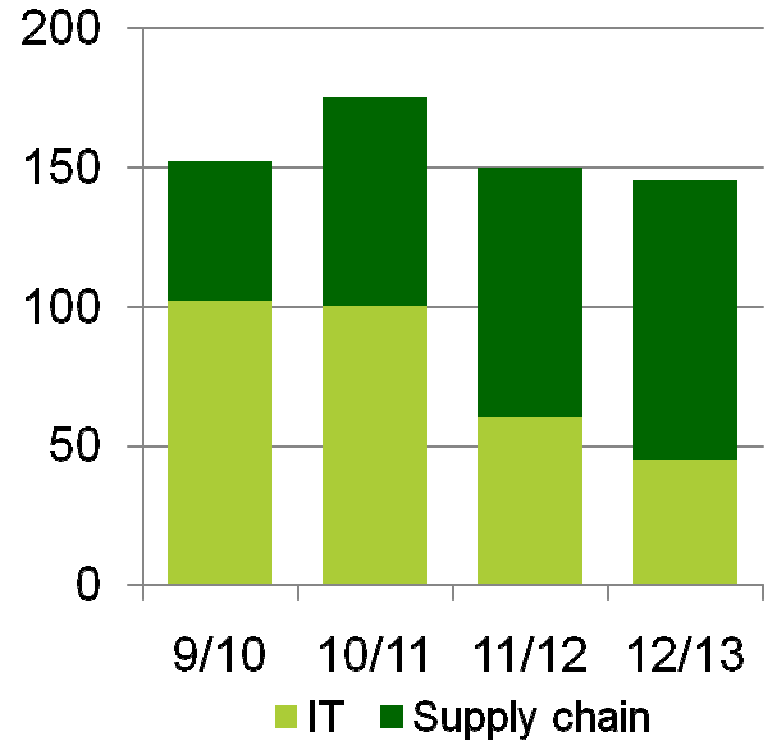
# Project 2020

By 2015/16: Total benefit £250m\*\* total capex £1bn\*

## Benefits



## Capital expenditure



\* Including £250m pre 2009/10

\*\* Cash benefit

# Project 2020 - progress

## Supply Chain

- Delivered £35m of cost savings
- Warehouse consolidation in progress
- Bradford DC opened
- East Midlands site planning permission underway
- Food depot voice picking rollout
- International direct deliveries

## IT

- SAP implementation
- POS software implementation
- Store stock systems
- Food forecasting pilot underway
- HR transformation
- Shop Your Way rollout
- Re-launch of website



# Summary

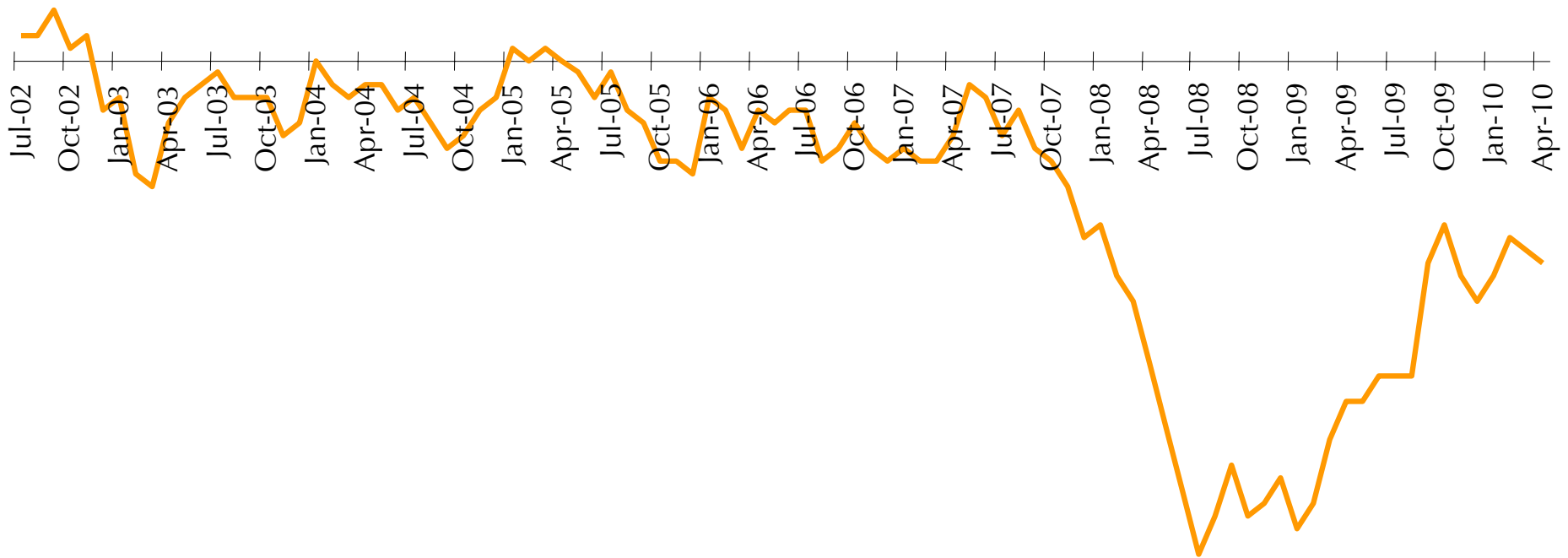
- Improving sales trend
- Profits ahead of last year
- Net cash generated, net debt reduced
- Good progress on 2020
- Outlook uncertain, but M&S well placed

# Full year results 2009/10

Stuart Rose  
Chairman

# Consumer confidence

## Consumer Confidence Index



SOURCE: GfK Consumer Confidence April 2010

# General Merchandise



# Food





# Multi-channel

YOUR M&S

Homepage · Store Finder · Help · Wish List · Quick Order · M&S Money · My Account

Search in  for

Existing User? [Sign In](#) · New User? [Register](#)

[Women](#) | [Men](#) | [Kids](#) | [Home & Furniture](#) | [Technology](#) | [Flowers & Gifts](#) | [Food & Wine](#) | [What's New](#) | [M&S TV](#) | [Offers](#)

» Dine In for £10    » Flowers Offer - 50% More Roses Free    » Deal of the Day

» Watch our new food TV advert on M&S TV    » Shop Your Way - order online, collect in store FREE



# SunShine

>> View Holiday Shop >> View Floral Kaftan Dress

1 2 3 4 5 ||

# International



# Plan A





# Summary

- Encouraging year
- Better sales and profits
- Project 2020 - laying the foundations for sustainable long-term growth
- Uncertain outlook
- Solid foundations for future growth

# 2004: Our Plan

## **Product**

Price architecture  
Brand rationalisation  
Filling range gaps  
Product innovation  
Better buying  
Stock management  
Markdowns  
Customer research

## **Service**

Management  
Availability  
Service levels  
Multi-channel  
retailing

## **Environment**

New store format  
Simply Food  
Space optimisation  
Marketing

2 for £8  
t-shirts





## PRICE-WISE YOU'LL BE SURPRISED

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With M&S Wise Buys you can enjoy the same fantastic quality you've always come to expect, at a price you wouldn't

YOUR M&S







Autograph



collezione  
*inspired by Italy*



LIMITED  
COLLECTION



INDIGO  
COLLECTION



NORTH COAST



per una ♡♡♡



Autograph



  
BLUE HARBOUR



Portfolio



CLASSIC.



**M&S Home**  
Home, Furniture and Technology



If you're going to spend 4 weeks shouting  
at the telly, make sure it's a good one.

Football's coming home, so why not watch it on a brand new Sony EX503 40" TV? If you trade in your old TV instore, it's just £799, saving you £100. We're even giving away a free Sony Blu-ray player worth £179 with every purchase too. And because all TVs over 26" come with a free 5 year guarantee and free delivery, you could call it a sure fire win.

Visit us in store or at [marksandspencer.com](http://marksandspencer.com)

YOUR **M&S**  
Quality worth every penny











Our coffee—  
100% Organic, 100% Fairtrade,  
100% Peace of mind.













# There's more than one way to shop at M&S



Delivery is FREE  
if you order online  
and collect in store





# Before



# After







MARKS & SPENCER



The image shows the exterior of an M&S Simply Food store. The building has a modern design with large glass windows and a prominent white, wave-like architectural feature above the entrance. A large green sign with the text "M&S SIMPLY FOOD" is mounted on the facade. In front of the store, there is a parking area with yellow markings and a row of shopping trolleys. A small sign on the right side of the entrance reads "Have you remembered your Bag for Life?" and "Plan A.".

M&S SIMPLY FOOD

Have you  
remembered your  
Bag for Life?

Plan A.

M&S





create  
**WAVES**

north coast 4x4 print shirt £20  
north coast cargo shorts £24.99  
sunglasses a selection from £10  
m&s.co.uk/summer



YOUR M&S  
Quality worth every penny

*Breezy*  
does it

per una katan with neck lace £29.50  
per una linen blouse £20  
m&s.co.uk/summer  
per una



YOUR M&S  
Quality worth every penny

the right  
**STRIPES**

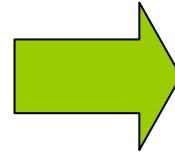
blue belt our striped polo £16  
m&s.co.uk/summer



YOUR M&S  
Quality worth every penny

# Customer perceptions

**Quality**



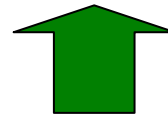
**Value**



**Service**



**Innovation**



**Trust**



SOURCE: Millward Brown / Hall and Partners /H&P COMMUNICATION TRACKER

# Key highlights

- Added £1.9bn of sales
- Grown clothing market share 50bps to 11%
- Increased GM gross margin by 800bps
- Invested 330bps of Food gross margin over the last two years
- Delivered £400m underlying cost savings
- Invested £3.4bn in the business
- Returned £4.6bn to shareholders

# 2004-2010: Summary

- Progress made in all areas
- Revitalised the brand
- Re-established the core values
- Built solid foundations for future growth