



**B&M European Value Retail
Interim Results Presentation
26 weeks to 28th September 2019**

FY20 Group Highlights

- Group revenues increased by 21.6% to £1,903.4m
 - B&M UK LFL revenues +3.7%
 - 30 gross new B&M store openings in the UK and a net 25
 - 10 gross new store openings at Heron and a net 9
 - £144.1m revenues from Babou and opened 3 stores branded B&M
 - Disappointing performance in Germany, strategic review underway
- B&M UK adjusted EBITDA growth of +13.7%
- Group adjusted EBITDA increased by 5.7% to £139.2m
- Adjusted diluted EPS 8.2p, an increase of 2.5%
- Net cashflow from operations £165.9m, (FY19: £142.7m)
- Proposed interim dividend 2.7p



Paul McDonald

Chief Financial Officer



Summary Profit and Loss – Pre and Post IFRS16

<i>£ millions,</i>	<i>FY19A</i>	<i>FY20A</i>	<i>% Change</i>
Group Stores	948	1,131	19.3%
Revenues	1,565.9	1,903.4	21.6%
Gross Profit	529.7	651.6	23.0%
%	33.8%	34.2%	41bps
Operating Costs	(397.9)	(512.4)	28.7%
Adjusted EBITDA	131.8	139.2	5.7%
%	8.4%	7.3%	(110)Bps
Depreciation and Amortisation	(21.8)	(30.7)	40.9%
Interest	(11.2)	(12.5)	11.9%
Adjusted Profit Before Tax	98.8	96.0	-2.8%
Adjusting Items	17.3	5.1	(70.6)%
Exceptional Interest	(1.1)	-	-
Impairment	-	(59.5)	-
Profit / (Loss) Before Tax	115.0	41.5	-64.0%
IFRS16 Impact	(5.9)	(9.3)	-57.6%
Statutory Profit / (Loss) Before Tax	109.1	32.2	-70.5%
Adjusted Diluted EPS (p)	8.0p	8.2p	2.5%
Statutory Diluted EPS (p)	8.9p	1.5p	-83.1%

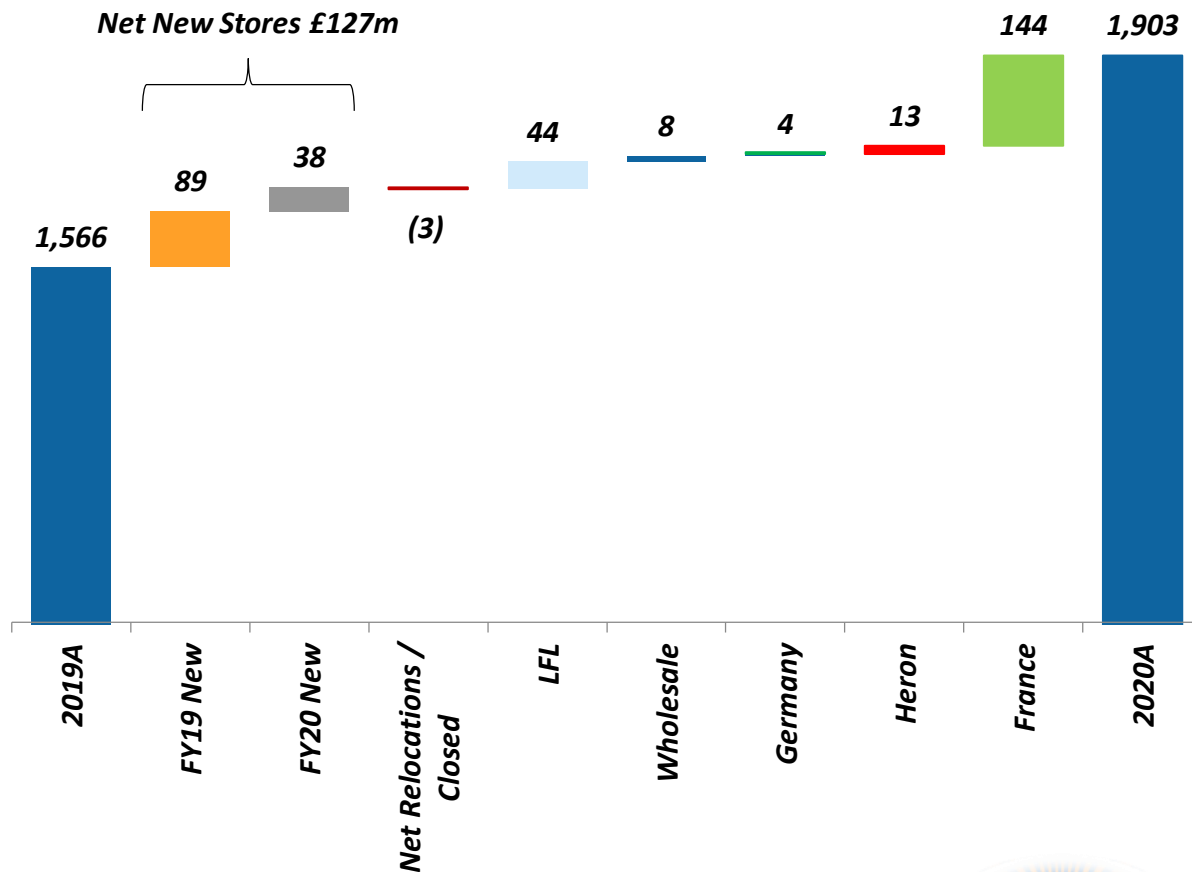
Pre IFRS 16 Basis



Group Revenue Bridge

£ millions,

H1 REVENUE FY19-FY20



- +21.6% overall Group revenue growth
- B&M UK growth +13.8%
- Annualisation of FY19 new store openings
- 30 gross new stores opened in the UK including 4 relocations. Closed 1 store.
- UK LFL +3.7% and £8m wholesale revenues
- Heron revenues:
 - Impact of FY19 openings and 9 net stores FY20
 - Positive LFL growth, despite strong comparative
- Germany delivered a £3.5m increase in revenues
- £144m revenues from Babou in non-comparable period

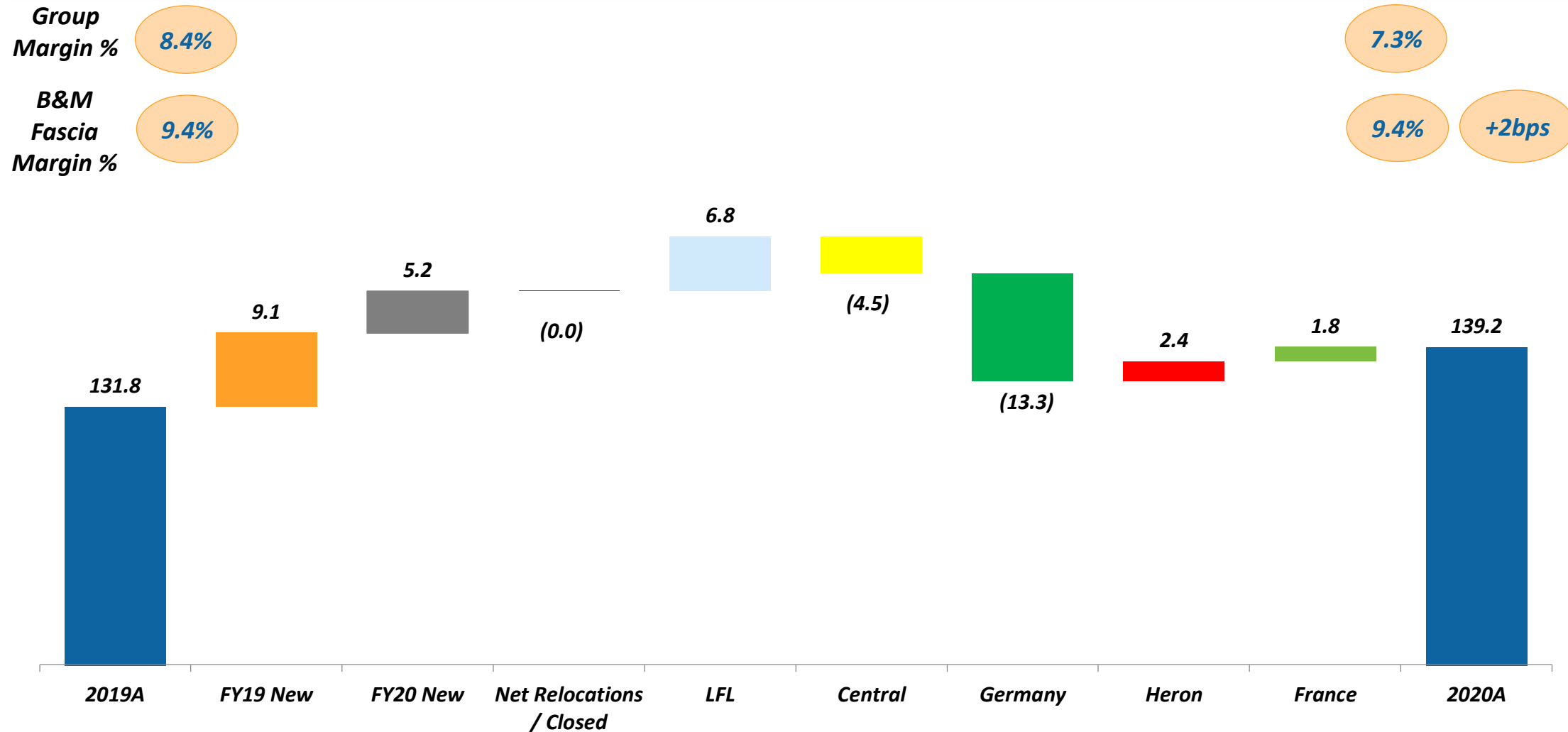
Note: 1. The FY19 revenue has been restated by £2.8m to include the wholesale revenue



Group EBITDA Bridge – Continued Growth

£ millions,

H1 ADJUSTED EBITDA BRIDGE FY19-FY20

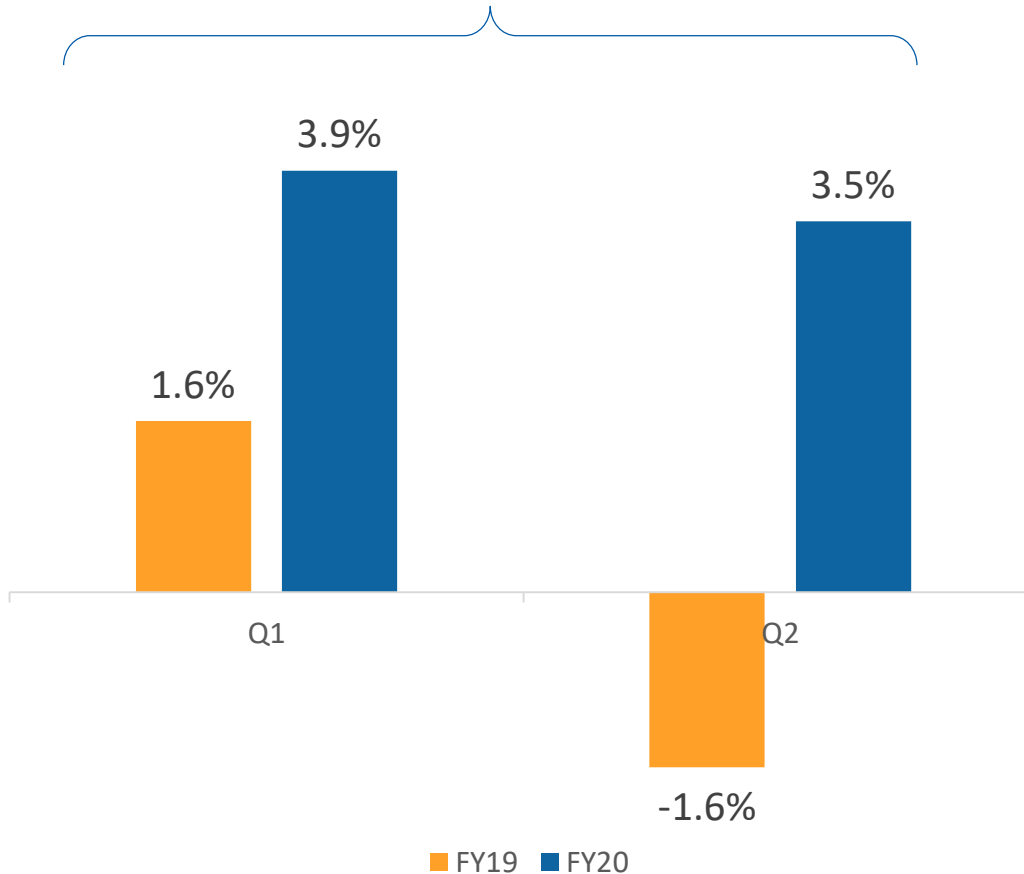


B&M Fascia LFL Sales



FY20 H1

FY20 H1
+3.7%



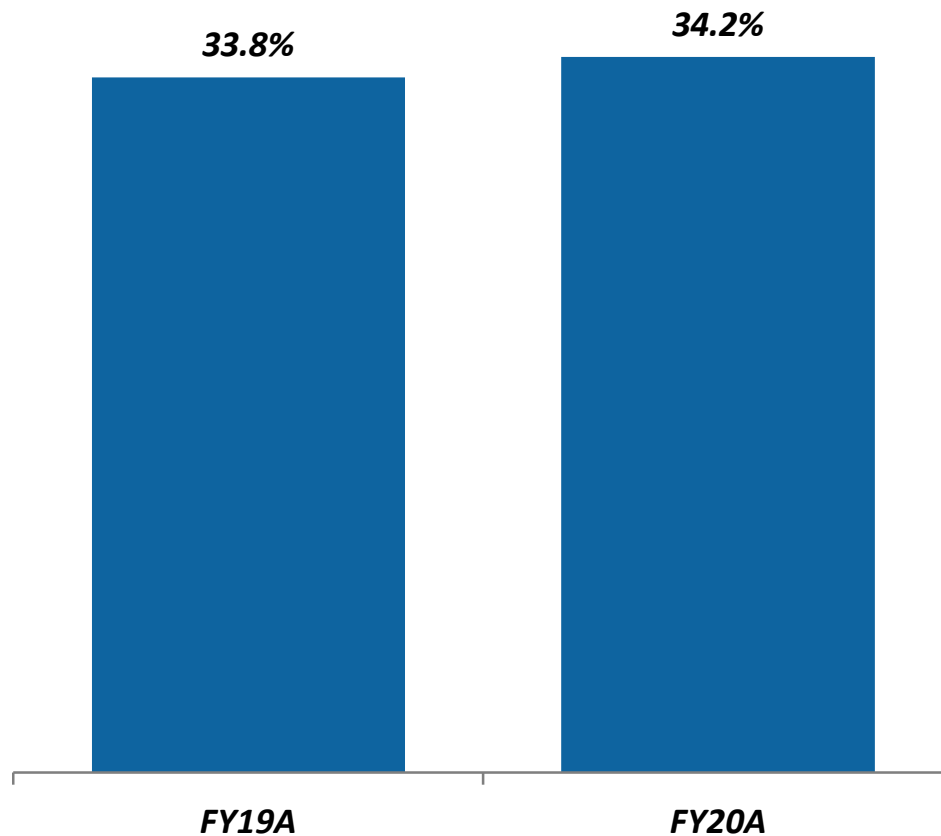
COMMENTARY

- H1 LFL sales growth of +3.7%
- There has been growth in both customer numbers and average transaction values
- Both town centre and out of town locations have delivered LFL growth
- LFL's benefitted from improvements in homeware categories
- The grocery / FMCG price gap remains and LFL revenues have continued to grow
- We have seen a solid start to Q3, albeit unclear how political uncertainty will impact sales



Group Gross Margin Performance

GROUP GROSS MARGIN (%)



KEY HIGHLIGHTS

- B&M fascia margins were 2bps higher than last year
- Despite headwind of further shift in the mix towards grocery / FMCG ranges, albeit this is reducing
- Offset by strength of homeware categories
- Heron margins were in line with last year
- Jawoll margins were 75bps lower than last year, due to markdowns on seasonal products arriving late in stores
- Babou traded at a 40.9% margin for H1



Group Operating Costs

£ millions,

	FY19	FY20
B&M	316.1	358.0
Heron	45.4	47.2
Germany	36.4	50.0
France	-	57.2
Adjusted Costs exc IFRS16	397.9	512.4
Depreciation exc leases	22.0	30.7
IFRS16 Depreciation	58.0	74.7

% of Revenue

B&M	24.7%	24.6%
Heron	25.9%	25.1%
Germany	32.7%	43.6%
France	-	39.7%
Adjusted Costs exc IFRS16	25.4%	26.9%
Depreciation exc IFRS16	1.4%	1.6%

KEY HIGHLIGHTS

- B&M fascia operating costs lower than last year as a % of revenues
 - Impact of living wage mitigated through productivity gains
 - Some improvement in T&D performance
 - Operating leverage on store costs
- Heron benefitting from operating leverage
- Germany operating costs increased to £50.0m, principally as a result of Warehouse and Transport costs
- Depreciation increase partly reflects the Babou acquisition.
- IFRS16 depreciation on right to use assets £74.7m



Group Interest Expenses

£ millions,

	FY19	FY20
<i>Interest</i>	10.5	11.3
<i>Amortised Fees</i>	0.7	1.2
Total	11.2	12.5
<i>Put/Call Option</i>	0.5	-
<i>Heron Deferred Consideration</i>	0.6	-
Total	12.3	12.5
IFRS16	27.0	31.7

Note: 1. FY18 relates to the 53 weeks ending 31 March 2018

KEY HIGHLIGHTS

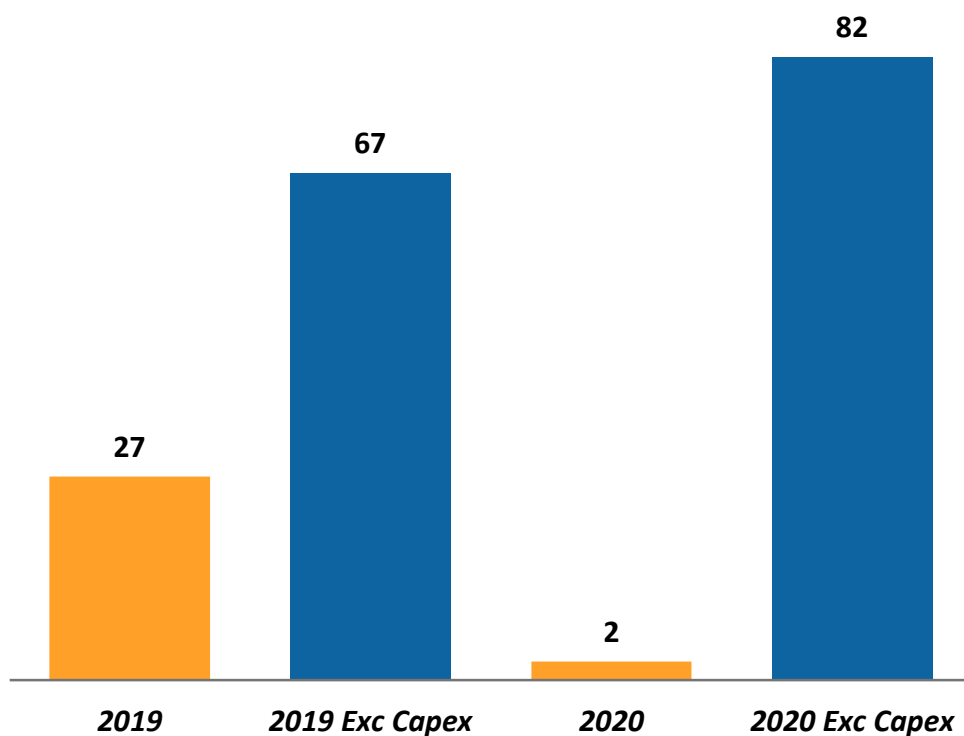
- Interest and amortised fees relate to the bank debt and bonds
- We expect full year Interest charge in FY20 of c. £24m including fee amortisation following the additional loan facility to finance Babou acquisition
- IFRS16 interest charge £31.7m



Cash Flows Pre-IFRS16

£ millions,

OPERATING CASH FLOW



Net debt / Adjusted EBITDA of 1.83x excluding expenditure on Southern Distribution Centre £89m and store freeholds £21m

CASH FLOW STATEMENT

£m	FY19A	FY20A
Adjusted EBITDA	131.8	139.2
Change in Working Capital	(64.8)	(56.8)
New Store Capex	(14.6)	(25.1)
Infrastructure Capex	(2.9)	(20.7)
Maintenance Capex	(12.8)	(23.8)
Freeholds	(9.7)	(10.4)
Total Capex	(40.1)	(80.0)
Operating Cash Flow	26.9	2.4
Tax	(21.5)	(28.6)
Other ₁	0.0	1.0
Operating and Investing Cash Flow	5.3	(25.2)
Net Debt / Adjusted EBITDA	2.00x	2.18x
Excluding DC and Freehold		1.83x

Note 1: Other includes interest and dividends receivable
 Note 2: A reconciliation is shown in appendix 2 to show the IFRS16 cashflow

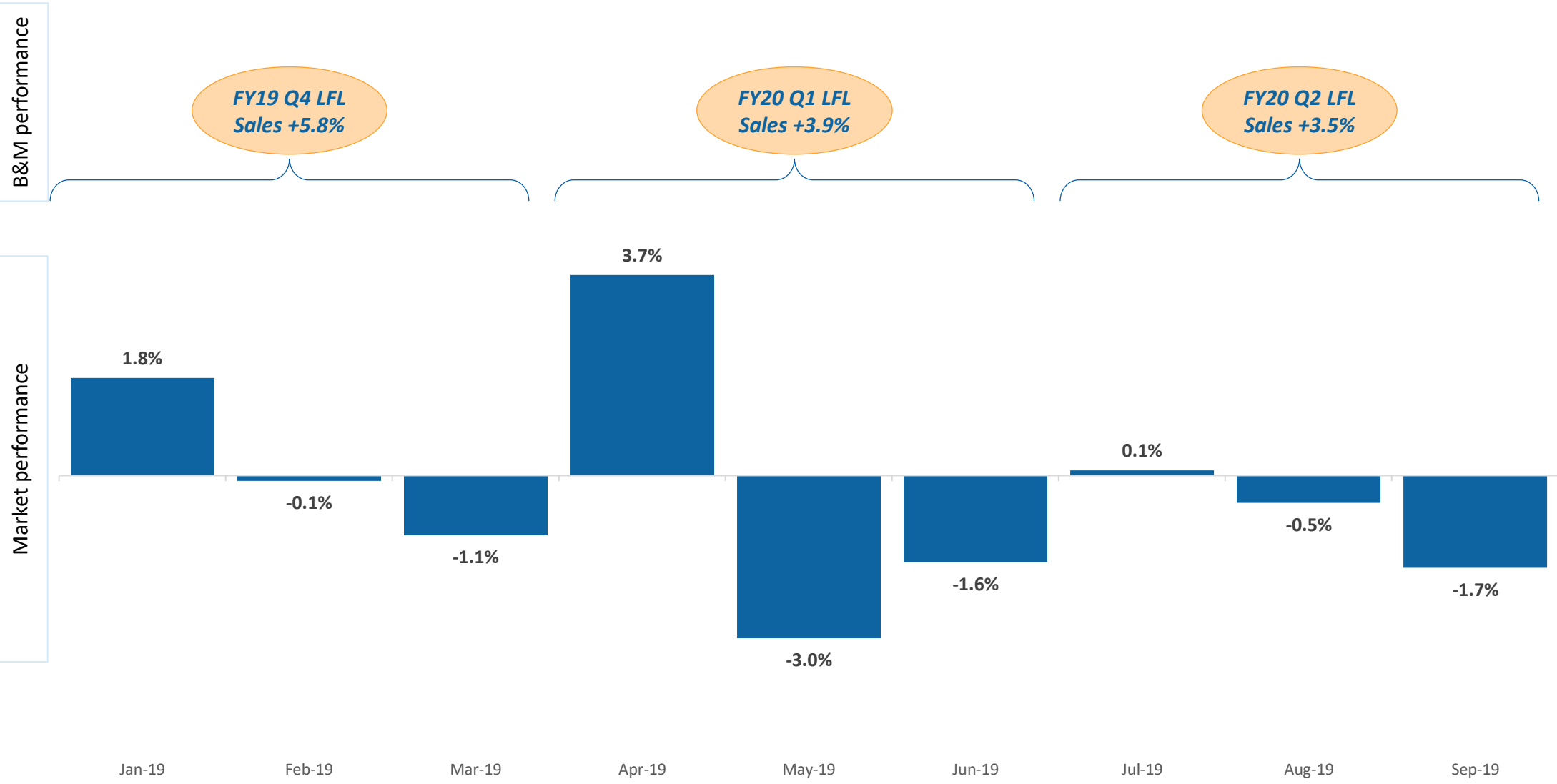


Simon Arora

Chief Executive Officer



B&M Revenues Outperform BRC LFL Data



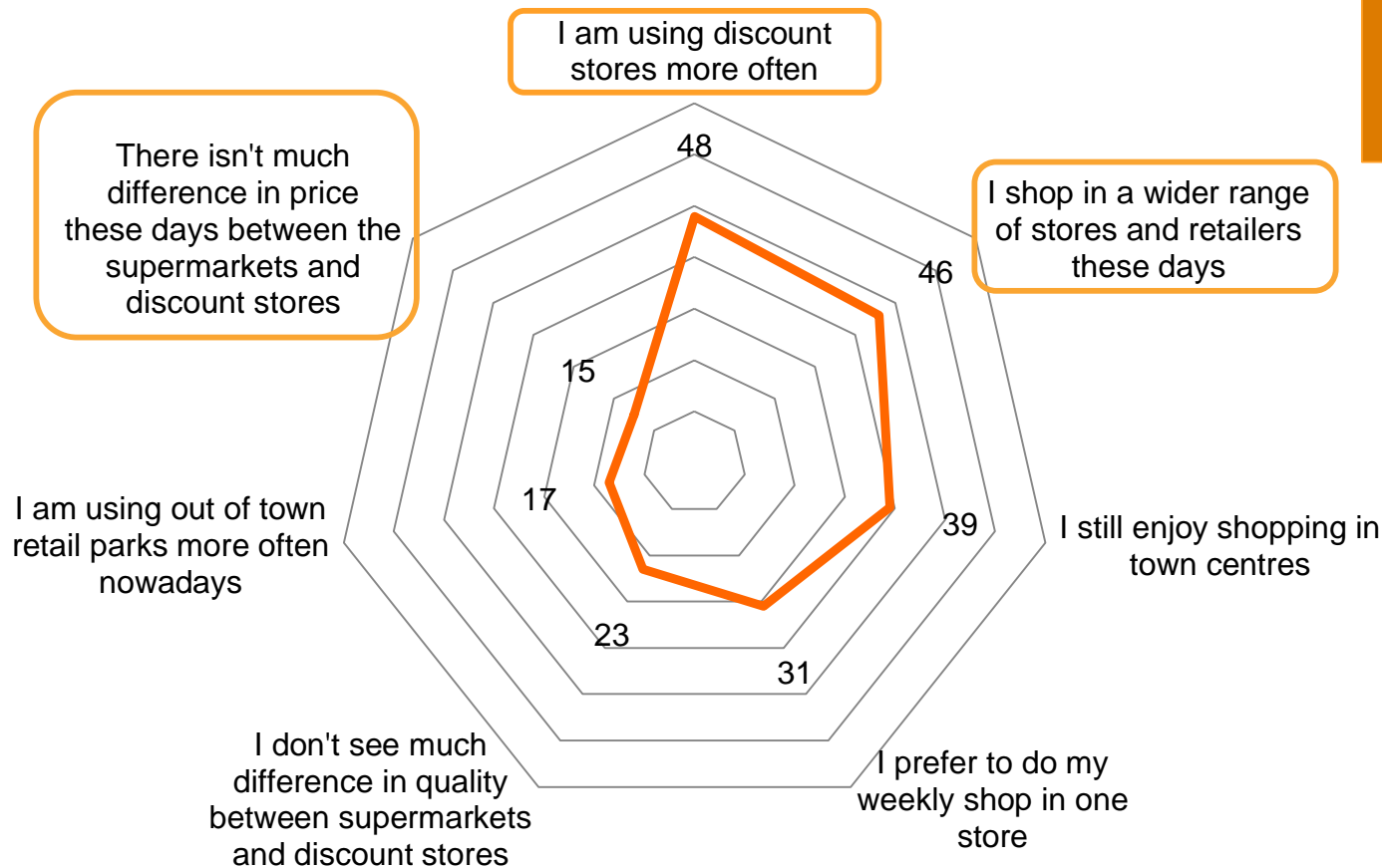
Source: BRC Monthly LFL (Figures include all retail sales including online)



Discount Shopper Attitudes



Which of the following statements about shopping apply to you?
(% of respondents)



I am using discount stores more often:

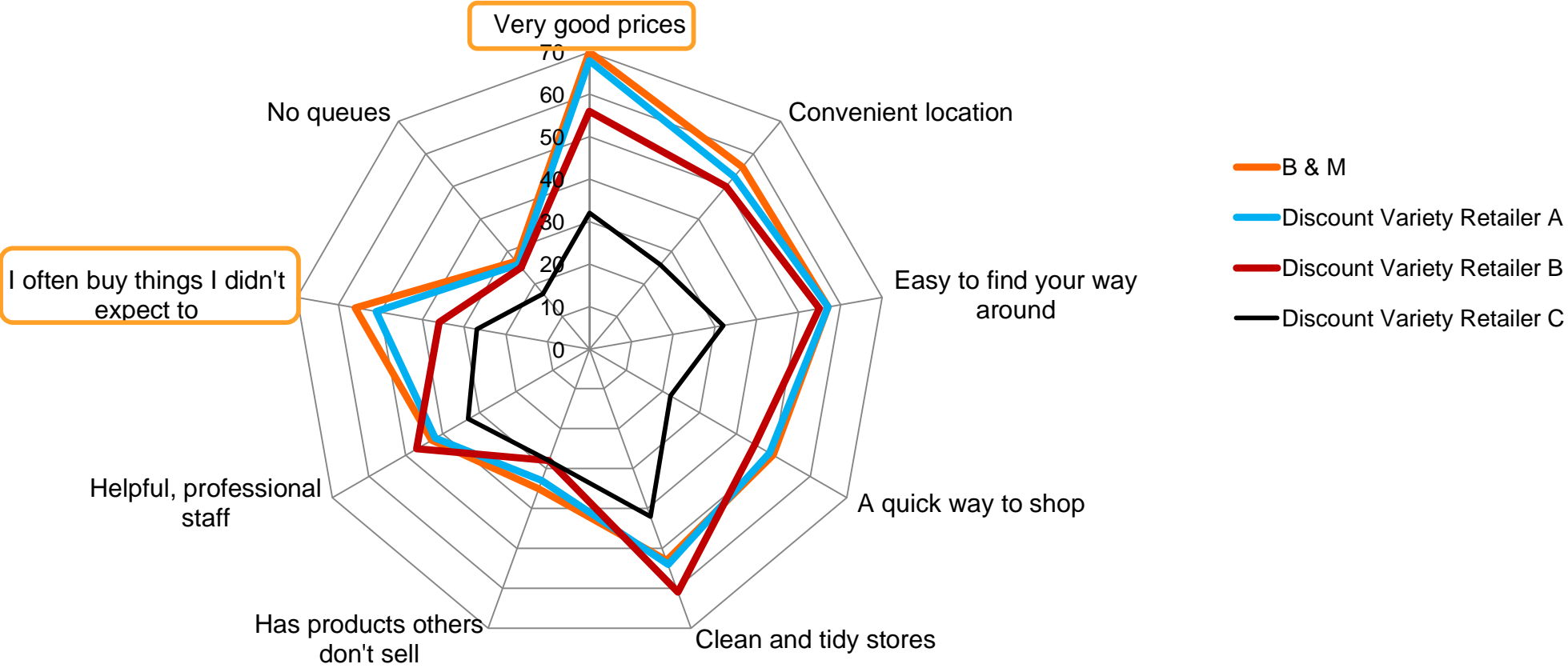
- Higher among women (51%) than men (44%)
- Highest for older consumers; those aged 55-64 (55%) and those with children aged 19+ at home (56%)



B&M Outperforming Peers on Shopper Perceptions



For each of the following store attributes which do you associate with each of the following retailers stores?
 (% of respondents)



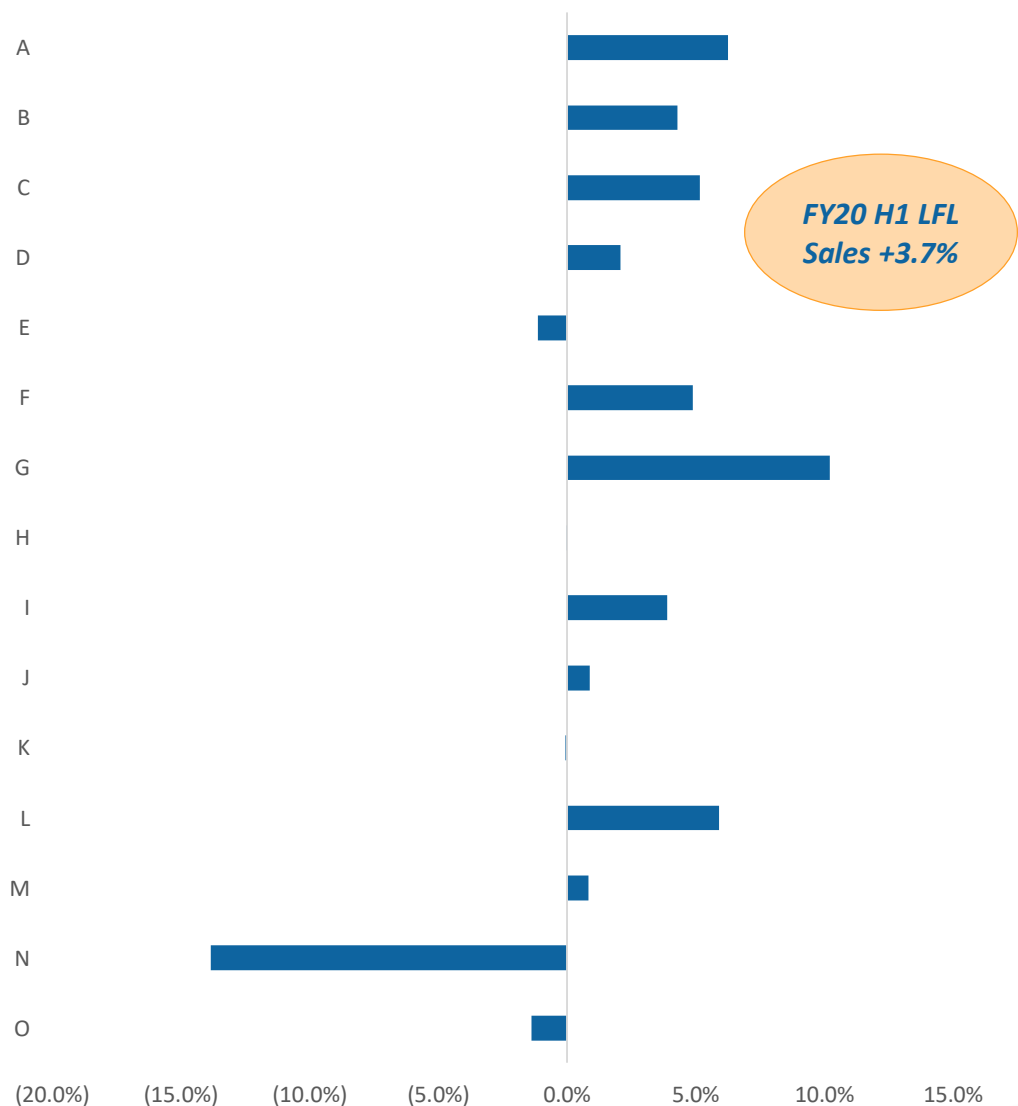
Source: PDIQ Online Survey of 2,039 discount shoppers



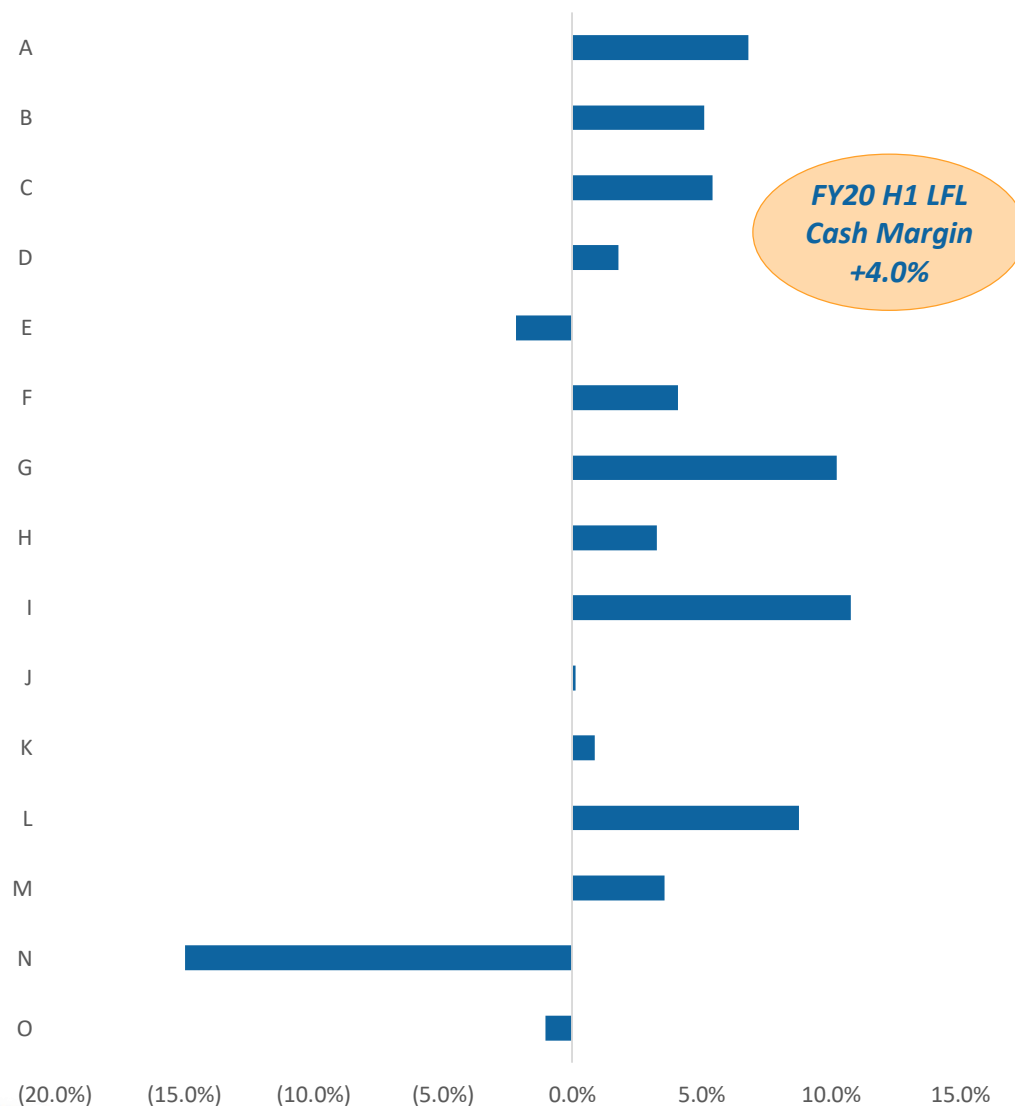


Most Categories Generating Strong LFL Growth

H1 FY20 CATEGORY LFL SALES %



H1 FY20 CATEGORY LFL MARGIN %



Case Study: Home Department



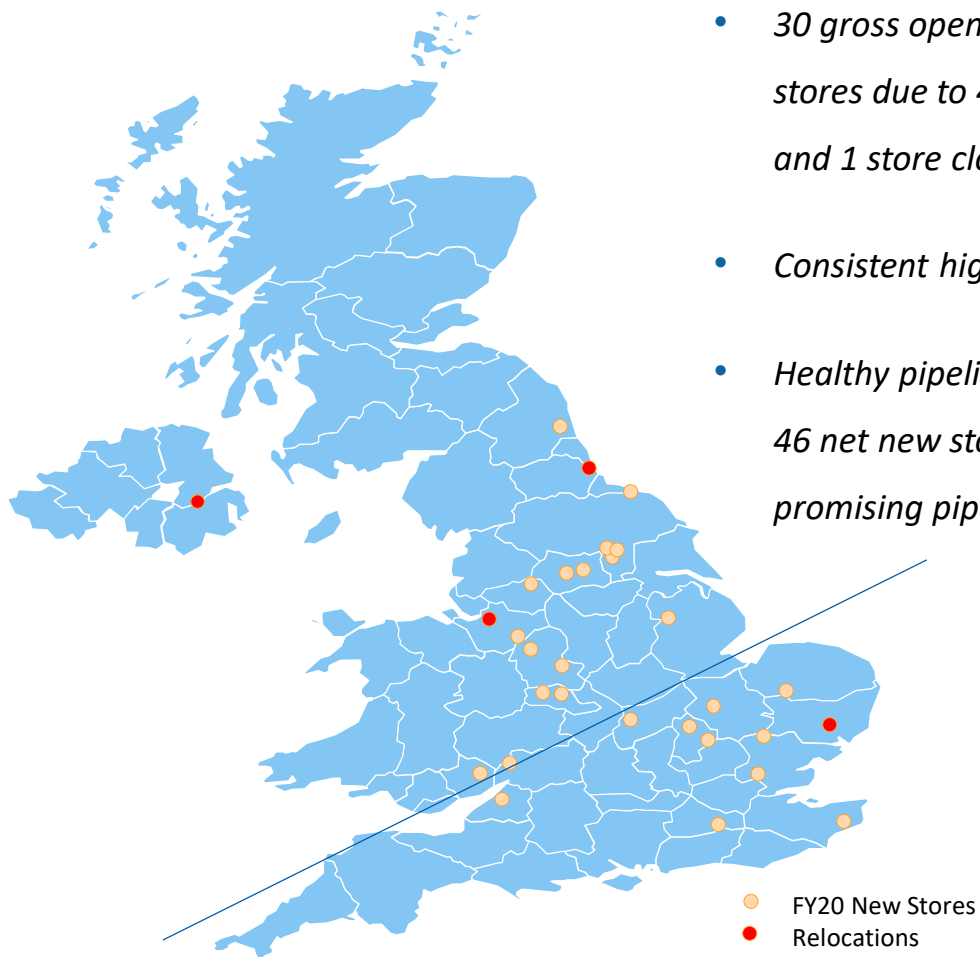
COMMENTARY

- Homeware categories underperformed in FY19
- The category is now back on track having invested additional buying and design resources in Summer 2018
- March 2019 saw the launch of new ranges and implementation of new visual merchandising principles
- This category has been an important driver of our +3.7% LFL performance in H1 FY20
- The rebound in performance demonstrates the resilience of our model and the 'narrowing of the gap' between discounters and category specialists or department stores in quality, trend and visual merchandising in stores



New Store Programme

FY20 OPENINGS

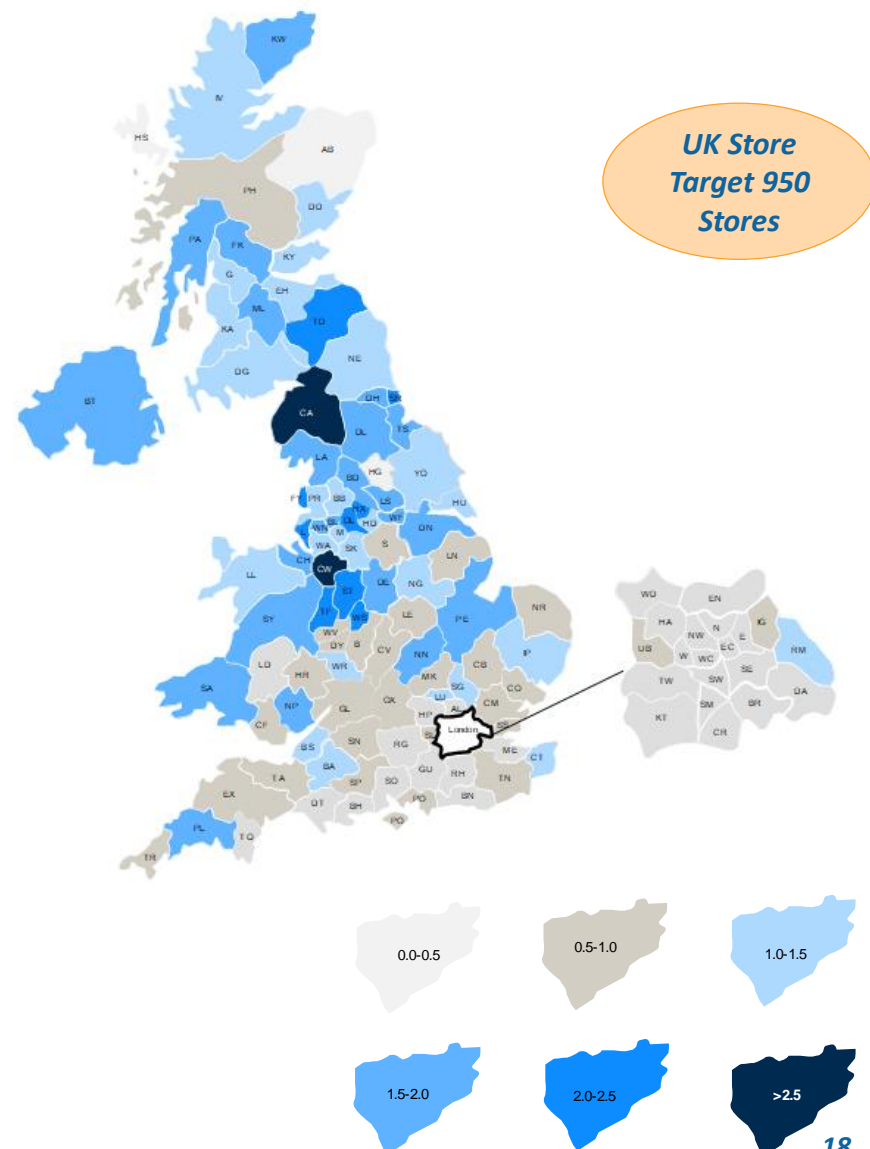


11 stores opened in the South

- 30 gross openings (net 25 stores due to 4 relocations and 1 store closures)
- Consistent high store returns
- Healthy pipeline for FY20 of 46 net new stores and promising pipeline for FY21

○ FY20 New Stores
● Relocations

645 STORES AS AT SEPTEMBER 2019



Case Studies: Southern Stores



CASE STUDY: WILTSHIRE

H1 FY20
£m

Revenue	5.2
Gross Margin	1.9
Store Costs	(0.7)
Store Contribution	1.2
Store Contribution %	23.0%
Company Average %	16.1%



CASE STUDY: WEST SUSSEX

H1 FY20
£m

Revenue	4.2
Gross Margin	1.5
Store Costs	(0.6)
Store Contribution	1.0
Store Contribution %	23.5%
Company Average %	16.1%



Note 1: Store contribution is before store indirect costs and transport and distribution

Case Study: Relocation



CASE STUDY: LEICESTERSHIRE

'First Generation' 2009 Bargain Store:

	FY19 £m
Revenue	1.4
Store Contribution	0.05
Store Contribution %	3.8%

B&M Homestore & Garden Centre 2017 Store:

	FY19 £m
Revenue	6.4
Store Contribution	1.15
Store Contribution %	18.0%

COMMENTARY

- Very typical market town in Leicestershire, (Central England) with a c. 30,000 population
- Our first store opened in November 2009 with a sales area of 5,200 sq ft in the town centre as a "B&M Bargains"
- We opened a Homestore with Garden Centre of 26,000 sq ft in March 2017 only 1 mile away from the existing store
- The original store lease has now expired and could be closed in early 2020, subject to staff consultation

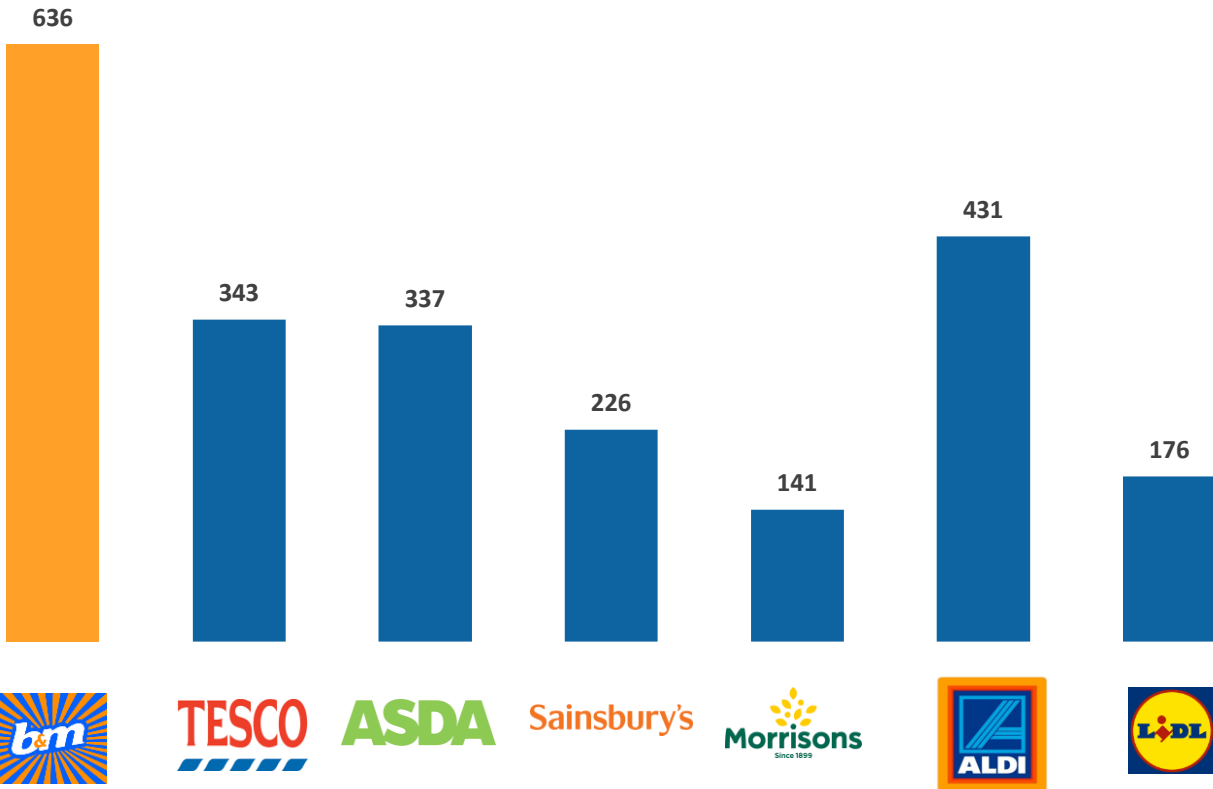


Marketing Update

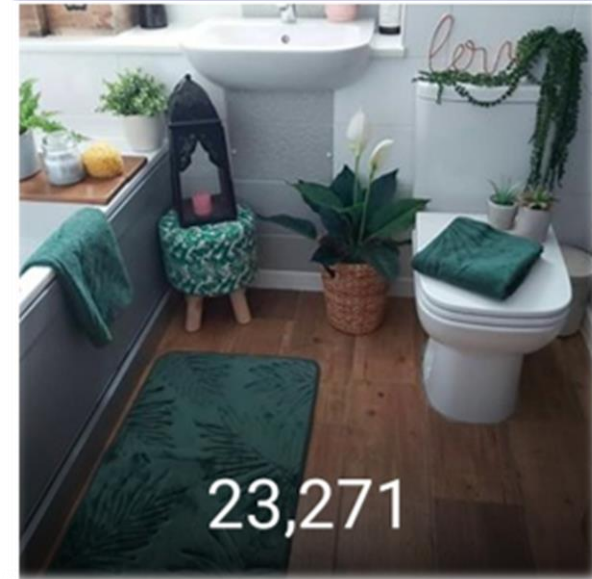


INSTAGRAM FOLLOWERS OCTOBER 2019

000's

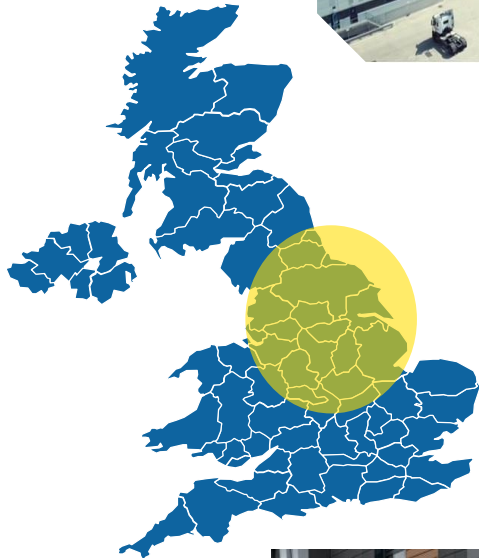


MOST ENGAGEMENT



BEST FAN POST





HIGHLIGHTS

- Heron performance continues to be pleasing
- Positive LFL performance in H1 despite strong comparative of c.+7% in H1 FY19
- New store opening programme is progressing well, opened 10 gross stores in H1 and on track to open 20 stores in FY20
- We will review whether to roll out frozen / chilled in more B&M stores in 2020



New Warehouse Investment in the UK



BEDFORD SOUTHERN DC



KEY HIGHLIGHTS

- Base build completed in July 2019
- Building fit out all on track and in line with budget for full commissioning in January 2020
- Picking operations have commenced at the facility in September 2019 to service 50 stores for grocery / FMCG products
- The facility will be fully commissioned in January 2020 and over a 6 month period will grow to service c. 250 stores of the existing estate
- Increases the opportunity to grow the store footprint in the South of the UK
- There has been strong real estate investor demand for the company in which we hold the investment asset



Babou Progress to Date



LEMPDE, FRANCE B&M STORE



COMMENTARY

- Babou generated £1.8m of EBITDA in H1
- Clothing and Footwear currently 25% of sales, down from c.40%
- Food/FMCG approximately 10% of sales
- B&M sourced product now fully deployed in stores
- Good product availability
- Some inherited legacy stock remains, but expected to be clear by FY20 year end
- Three new stores opened branded as B&M
- Spring/Summer seasonal ranges bought using B&M supply chain will be launched in February 2020

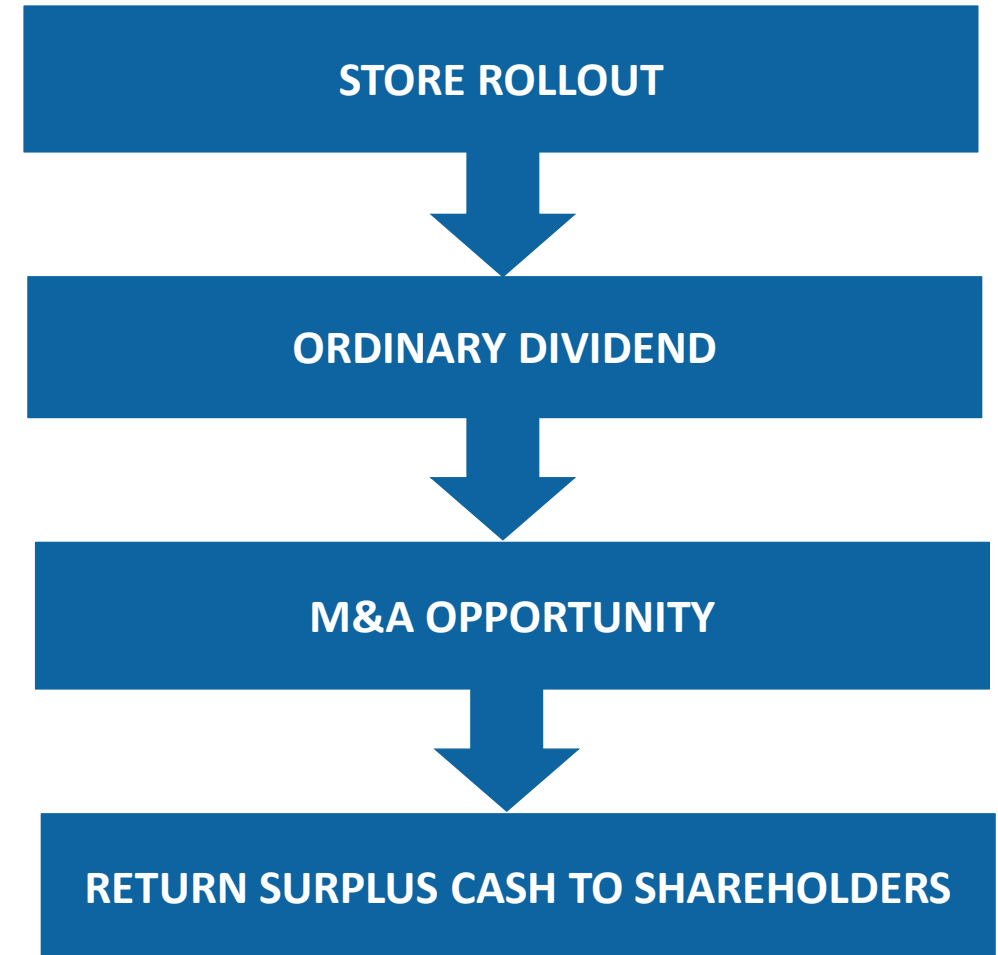


Capital Structure

DE-LEVERAGING PROFILE

- Leverage at Sept-19 on an LTM basis is 2.18x and this reduces to 1.83x excluding the expenditure on Southern Distribution Centre and store freeholds
- Potential sale and leaseback of DC investment company and freehold stores which could allow the release of c. £150m of capital
- We are not currently evaluating any further acquisition opportunities

CAPITAL ALLOCATION FRAMEWORK



Outlook for FY20

UK

- B&M UK stores delivering positive LFL sales growth, but impact of political uncertainty is difficult to predict. Stores are nicely set up for Golden Quarter trading
- Heron trading well, despite a flat market in grocery and price inflation pressures easing. Continue to be pleased with the acquisition.
- New store programmes for both fascia's progressing well and on track for 53 and 20 gross openings for B&M and Heron respectively for FY20

Germany

- A Strategic Review of the business is being undertaken and we will update the market when this has been completed

France

- Stores are set up for peak “Golden Quarter” trading and we look forward to the arrival of the first Spring/Summer ranges sourced through the B&M supply chain
- One further new store planned in FY20 (late March 2020) and to be branded B&M



IFRS16 Profit and Loss Account Reconciliation

Appendix 1

<i>£ millions,</i>	<i>Pre FY19</i>	<i>IFRS16</i>	<i>Post FY19</i>	<i>Pre FY20</i>	<i>IFRS16</i>	<i>Post FY20</i>
Revenues	1,565.9	-	1,565.9	1,903.4		1,903.4
Gross Profit	529.7		529.7	651.6		651.6
Operating Costs	(397.9)	79.1	(318.8)	(512.4)	97.0	(415.4)
Adjusted EBITDA	131.8	79.1	210.9	139.2	97.0	236.2
Depreciation and Amortisation	(21.8)	(58.0)	(79.8)	(30.7)	(74.7)	(105.4)
Interest	(11.2)	0.2	(11.0)	(12.5)	0.2	(12.3)
Adjusted Profit Before Tax	98.8	21.3	120.1	96.0	22.5	118.5
Adjusting Items	17.3		17.3	5.1		5.1
Exceptional Interest	(1.1)	(27.2)	(28.3)	-	(31.9)	(31.9)
Impairment	-		-	(59.5)		(59.5)
Profit / (Loss) Before Tax	115.0	(5.9)	109.1	41.5	(9.3)	32.2



IFRS16 Cash Flow Reconciliation

Appendix 2

<i>£m</i>	<i>FY19A</i>	<i>FY20A</i>
Adjusted EBITDA	131.8	139.2
<i>Change in Working Capital</i>	<i>(64.8)</i>	<i>(56.8)</i>
<i>Capex</i>	<i>(40.1)</i>	<i>(80.0)</i>
<i>Tax</i>	<i>(21.5)</i>	<i>(28.6)</i>
<i>Other</i>	<i>0.0</i>	<i>1.0</i>
Operating and Investing Cash Flow Pre-IFRS16	5.3	(25.2)
<i>Profit Before Tax Difference</i>	<i>(5.9)</i>	<i>(9.4)</i>
<i>Interest Difference</i>	<i>27.0</i>	<i>31.7</i>
<i>Depreciation</i>	<i>58.0</i>	<i>74.7</i>
<i>Working Capital</i>	<i>(3.4)</i>	<i>(13.6)</i>
<i>PPE</i>	<i>-</i>	<i>1.7</i>
<i>Total IFRS16 Adjustments</i>	<i>75.7</i>	<i>85.1</i>
Operating and Investing Cash Flow Post-IFRS16	81.0	60.0

