



*B&M European Value Retail S.A
FY23 Interim Results Presentation
26 weeks to 24 September 2022*

H1 FY23 Group Highlights

- Group revenues increased by +1.8% year-on-year to £2,309m, or +29.1% on a 3-year basis
 - Total sales for B&M UK fell by (6.0)% in Q1 and rose +5.0% in Q2
 - B&M UK LFL decreased in H1 (3.9)% vs FY22, Q2 LFLs were +2.0%, compared with (9.1)% in Q1, which was affected by the strong seasonal comparative
 - 10 gross new B&M UK store openings with 7 closures, a net increase of 3
 - Total sales growth in H1 for B&M France was +18.2% and Heron Foods +14.6%
 - 7 gross new store openings at Heron Foods, with 4 new store openings in France
- Group adjusted EBITDA £232m (10.0% of sales) compared to £282m (12.4% of sales) in the prior year
 - Reduction due to B&M's trading gross margin decline of 213 bps driven by seasonal markdowns in the gardening category
 - Disciplined stock and cost controls across all businesses
- Cash generated from operations of £370m (+83.3% YoY) reflecting planned stock reduction and strong controls
- Adjusted diluted EPS of 14.4p, a decrease of (23.0)% vs H1 FY22
- Net debt to LTM adjusted EBITDA ratio of 1.3x, comfortably under our 2.25x ceiling
- An interim dividend of 5.0p per Ordinary Share will be paid on 16 December 2022, in line with prior year



Pete Waterhouse
Group Financial Controller



Summary Profit and Loss

<i>£ millions,</i>	<i>H1 FY23</i>	<i>H1 FY22</i>	<i>YoY Change</i>	<i>H1 FY20</i>	<i>3YoY Change</i>
Group Stores (number)	1,129	1,097	2.9%	1,034	9.2%
Revenue	2,309	2,268	1.8%	1,789	29.1%
Gross Profit	808	848	(4.7)%	614	31.7%
%	35.0%	37.4%	(240) bps	34.3%	70 bps
Operating Costs	(576)	(566)	1.8%	(462)	24.7%
Adjusted EBITDA	232	282	(17.9)%	151	53.0%
%	10.0%	12.4%	(240) bps	8.5%	153 bps
Depreciation and Amortisation	(35)	(32)	10.4%		
Net Interest	(19)	(12)	51.8%		
Adjusted Profit Before Tax	178	238	(25.3)%		
Adjusting Items ¹	28	10	n/a		
Exceptional & Finance Lease Interest	-	-	n/a		
Profit Before Tax (pre-IFRS16)	206	248	(17.1)%		
IFRS16 Impact ²	(5)	(7)	(16.7)%		
Statutory Profit Before Tax (post-IFRS16)	201	241	(16.9)%		
Adjusted Diluted EPS (p)	14.4p	18.7p	(23.0)%		
Statutory Diluted EPS (p)	15.7p	19.0p	(17.4)%		

Pre-IFRS16

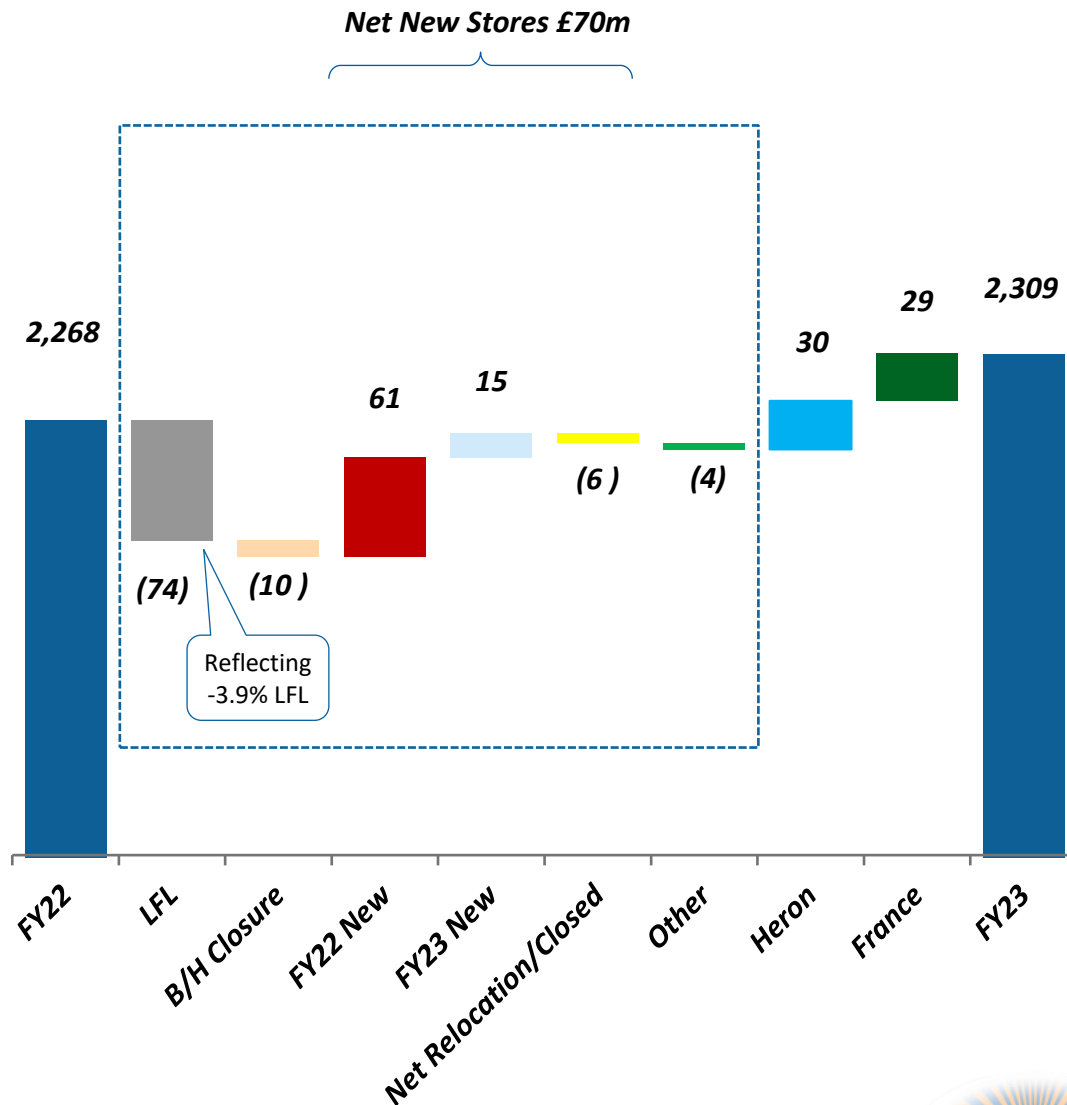
Group adjusted EBITDA growth of +53% vs pre-pandemic levels of H1 FY20

1. The £27.7m adjusting items relate to the P&L effect of the fair value of non-hedge accounted derivatives and intercompany foreign exchange effects



Group Revenue Bridge

H1 REVENUE FY22-FY23



HIGHLIGHTS

- Total Group revenue growth of +1.8%
- B&M UK revenue declined (0.9%) overall
 - New store programme delivered £70m, offsetting the (3.9%) LFL decline
 - Q2 LFLs were up +2.0% as performance improved across the half
- Heron Foods revenue increase of +14.6%
- B&M France revenue increase of +18.2%

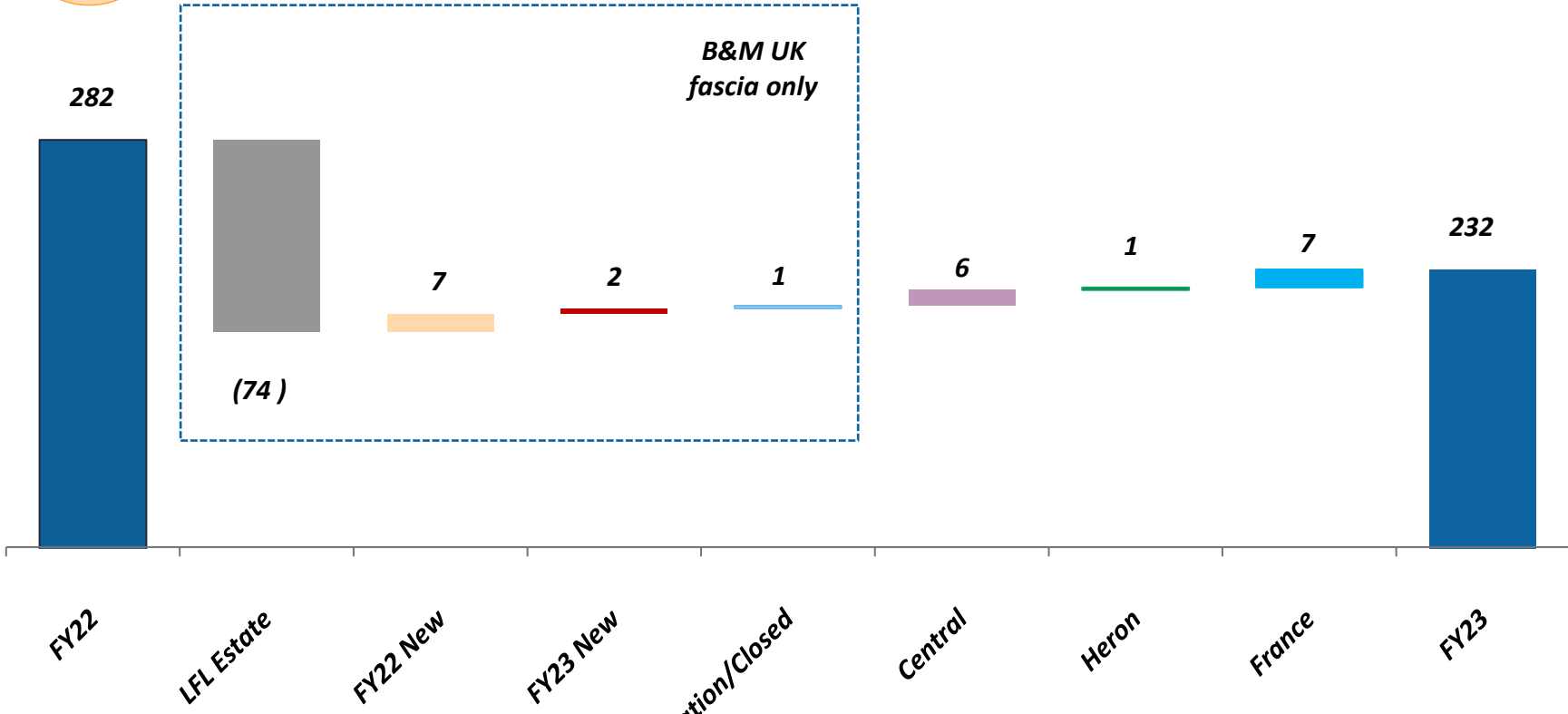


Group Adjusted EBITDA Bridge

ADJUSTED EBITDA BRIDGE H1 FY22-FY23

Group Margin % 12.4% 10.0%
B&M UK Margin % 13.5% 10.6%
B&M France Margin % 7.3% 9.6%

£ millions,



Group Interest Expense

<i>£ millions,</i>	<i>H1 FY23</i>	<i>H1 FY22</i>	<i>YoY change</i>
<i>Cash Interest Expense</i>	18	11	54.2%
<i>Amortised Fees</i>	1	1	22.6%
<i>Interest Income</i>	-	-	-
Adjusted Net Interest	19	12	51.8%
<i>Exceptional & Finance Lease Interest</i>			
	-	-	-
Total Interest Expense	19	12	51.8%
<i>IFRS 16 Interest</i>	29	30	(2.8)%
Total Statutory Interest Expense	48	42	12.9%

KEY HIGHLIGHTS

- Group retains strong liquidity with key tranches of debt not due until 2025 and 2028
- Ongoing adjusted net interest expense of c.£38m p/a



Cash Flow Generation Is Strong

OPERATING CASH FLOW £m

	H1 FY23	H1 FY22	H1 FY20
Adjusted EBITDA (pre-IFRS16)	232	282	151
Change in Working Capital	41	(171)	(57)
<i>New Store Capex</i>	<i>(16)</i>	<i>(12)</i>	<i>(25)</i>
<i>Infrastructure and Freehold Capex</i>	<i>(7)</i>	<i>(12)</i>	<i>(31)</i>
<i>Maintenance Capex</i>	<i>(22)</i>	<i>(19)</i>	<i>(24)</i>
<i>Total Net Capex</i>	<i>(45)</i>	<i>(43)</i>	<i>(80)</i>
Operating Cash Flow (pre-IFRS16)	228	68	14
<i>Net debt (pre-IFRS16)</i>	<i>736</i>	<i>655</i>	<i>696</i>
<i>Leverage ratio (pre-IFRS16)</i>	<i>1.3x</i>	<i>1.1x</i>	<i>2.2x</i>

Group remains comfortably below stated leverage ceiling of **2.25x**



COMMENTARY

- Operating cash flow of £228m compared with £68m in the previous year
- New store Capex of £16m spent on opening 21 gross new stores across the Group
 - Payback period on new stores remains highly attractive
- No major infrastructure Capex projects required or planned
- Maintenance Capex only 0.95% of revenue

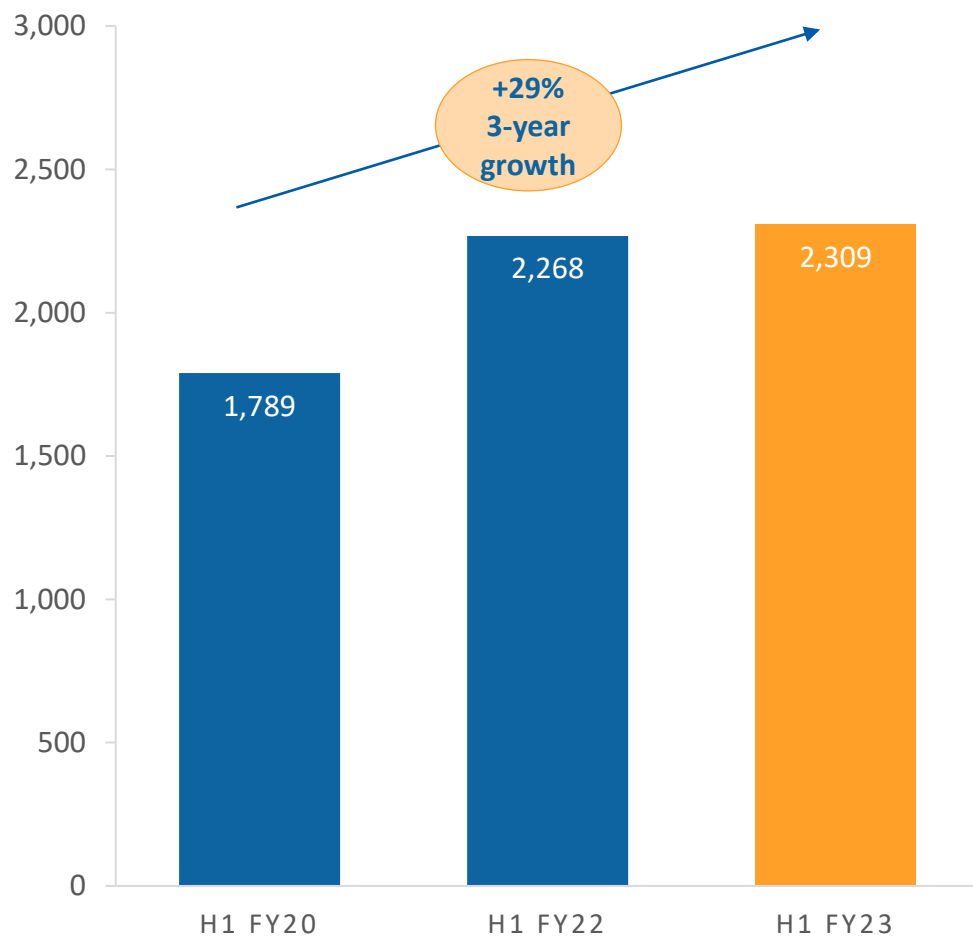
Alex Russo

Chief Executive Officer

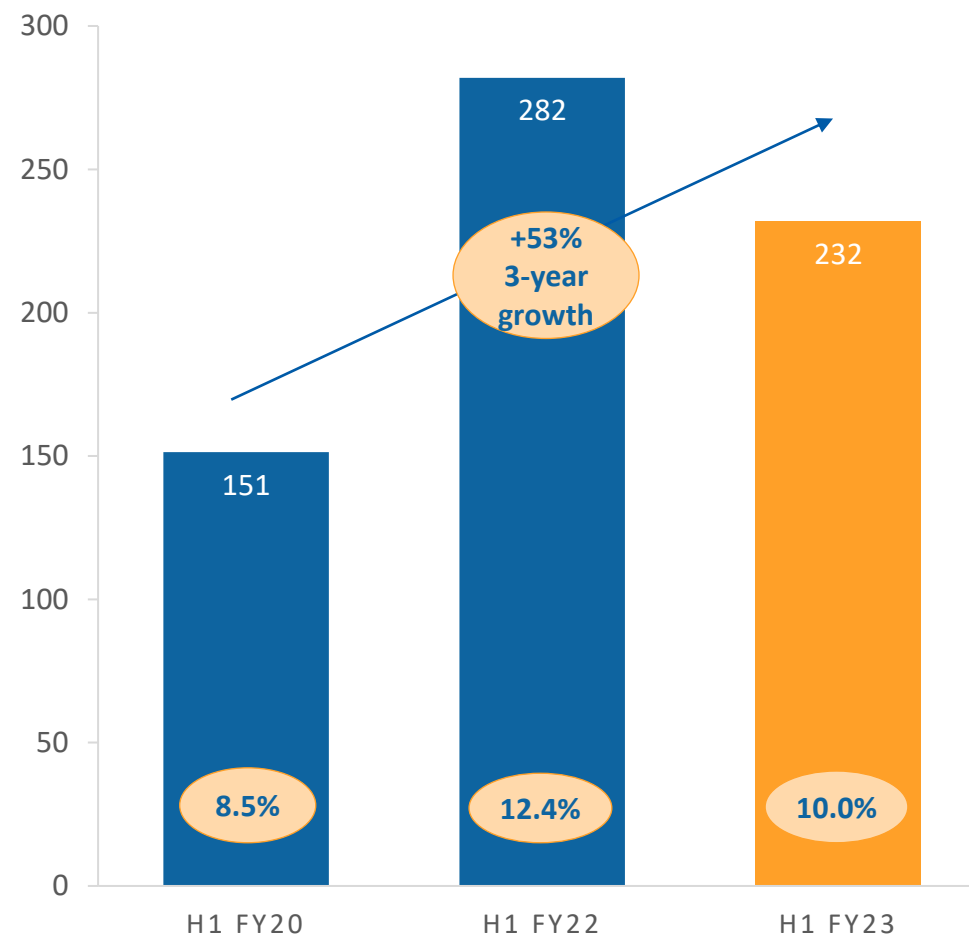


Strong Growth vs Pre-Pandemic Levels

H1 GROUP REVENUE (£M)



H1 GROUP ADJUSTED EBITDA (£M) AND MARGIN



Performance by Fascia

	H1 FY23	H1 FY22	YoY change	H1 FY20	3YoY change
Group Stores (number)	1,129	1,097	2.9%	1,034	9.2%
B&M UK	704	686	2.6%	645	9.1%
Heron Foods	314	307	2.3%	290	8.3%
B&M France	111	104	6.7%	99	12.1%
Group Revenue (£m)	2,309	2,268	1.8%	1,789	29.1%
B&M UK	1,892	1,910	(0.9)%	1,457	29.9%
Heron Foods	233	203	14.6%	188	23.7%
B&M France	184	155	18.2%	144	27.5%
Group Gross Margin (%)	35.0%	37.4%	(240) bps	34.3%	70 bps
Group adjusted EBITDA (£m)	232	282	(17.9)%	151	53.0%
B&M UK	200	258	(22.3)%	137	45.6%
Heron Foods	14	13	5.7%	12	15.1%
B&M France	18	11	54.6%	2	877.9%
Group adjusted EBITDA (%)	10.0%	12.4%	(240) Bps	8.5%	153 bps
B&M UK	10.6%	13.5%	(292) bps	9.4%	116 bps
Heron Foods	6.1%	6.6%	(52) bps	6.5%	(42) bps
B&M France	9.6%	7.3%	225 bps	1.2%	838 bps

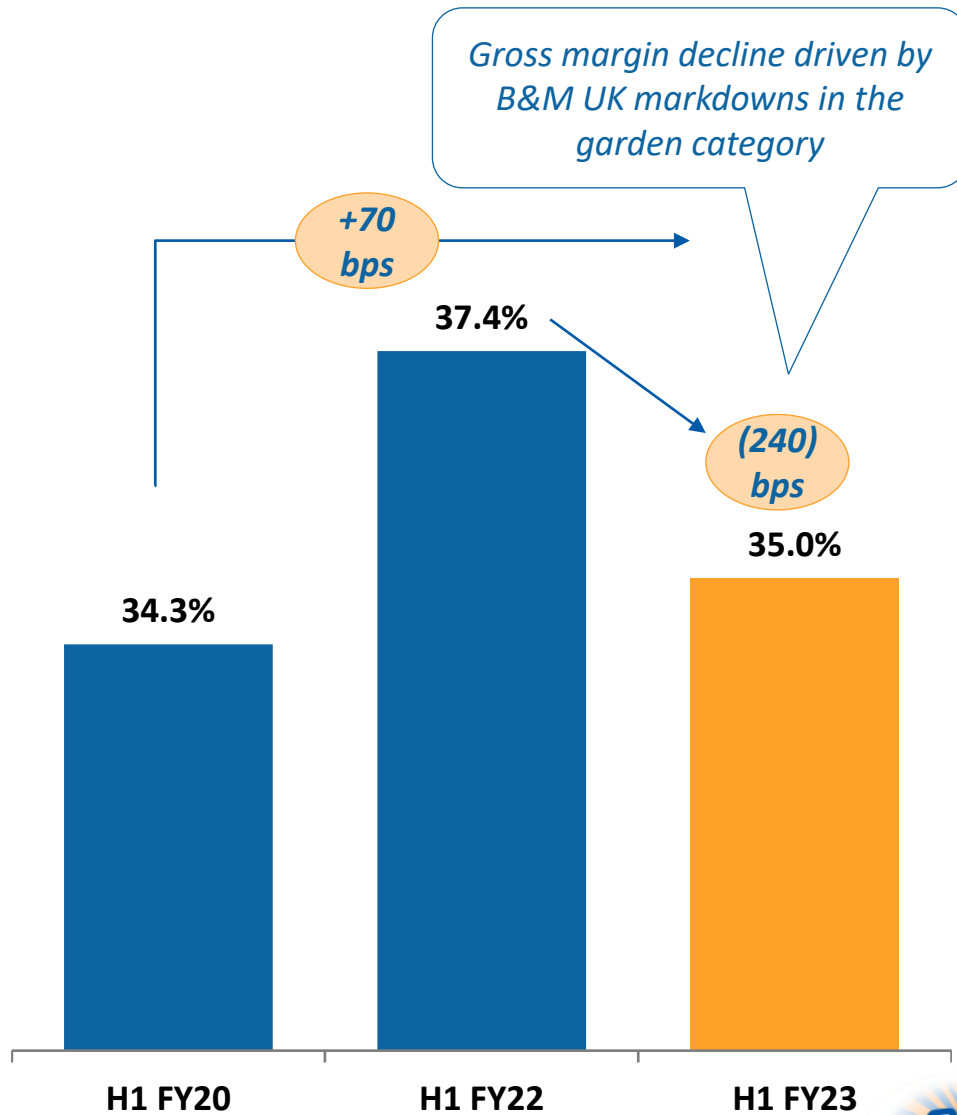
HIGHLIGHTS

- Overall Group sales densities significantly higher than pre-pandemic levels, and growing from Q2 onwards
- Gross margins declined YoY with the main driver a reduction in B&M's trading gross margin by 213 bps primarily due to markdowns in the garden category
- Group adjusted EBITDA margin of 10.0% versus 12.4%, as operating costs were well controlled
- Group adjusted EBITDA versus pre-pandemic levels of H1 FY20 is +53.0%



Group Gross Margin

GROUP GROSS MARGIN (%)



KEY HIGHLIGHTS

- Gross margin decline with the main driver a reduction in B&M UK's trading gross margin - this reduced by 213 bps to 34.9% from 37.0%
- Grocery gross margin flat and stable YoY
- Non-Grocery gross margin run rate improving rapidly in Q3 with good sell-through across all categories
- Heron gross margin broadly flat
- France gross margin performed strongly



Operating Costs by Fascia

<i>£ millions,</i>	<i>H1 FY23</i>	<i>H1 FY22</i>	<i>YoY change</i>	<i>H1 FY20</i>	<i>3YoY change</i>
<i>B&M UK</i>	452	455	(0.6)%	358	26.3%
<i>Heron Foods</i>	60	51	17.6%	47	28.1%
<i>B&M France</i>	64	60	6.9%	57	11.7%
<i>Adjusted Costs (pre-IFRS16)</i>	576	566	1.8%	462	24.7%
<i>D&A (pre-IFRS16)</i>	35	32	9.4%	28	25.8%
<i>IFRS 16 Depreciation</i>	84	80	3.8%	71	16.9%
<i>% of Revenue</i>					
<i>B&M UK</i>	23.9%	23.8%	7 bps	24.6%	(69) Bps
<i>Heron Foods</i>	25.9%	25.3%	66 bps	25.0%	90 bps
<i>B&M France</i>	34.8%	38.5%	(369) Bps	39.7%	(492) Bps
<i>Adjusted Costs (pre-IFRS16)</i>	25.0%	25.0%	1 bps	25.8%	(88) Bps
<i>D&A (pre-IFRS16)</i>	1.5%	1.4%	12 bps	1.6%	(4) bps

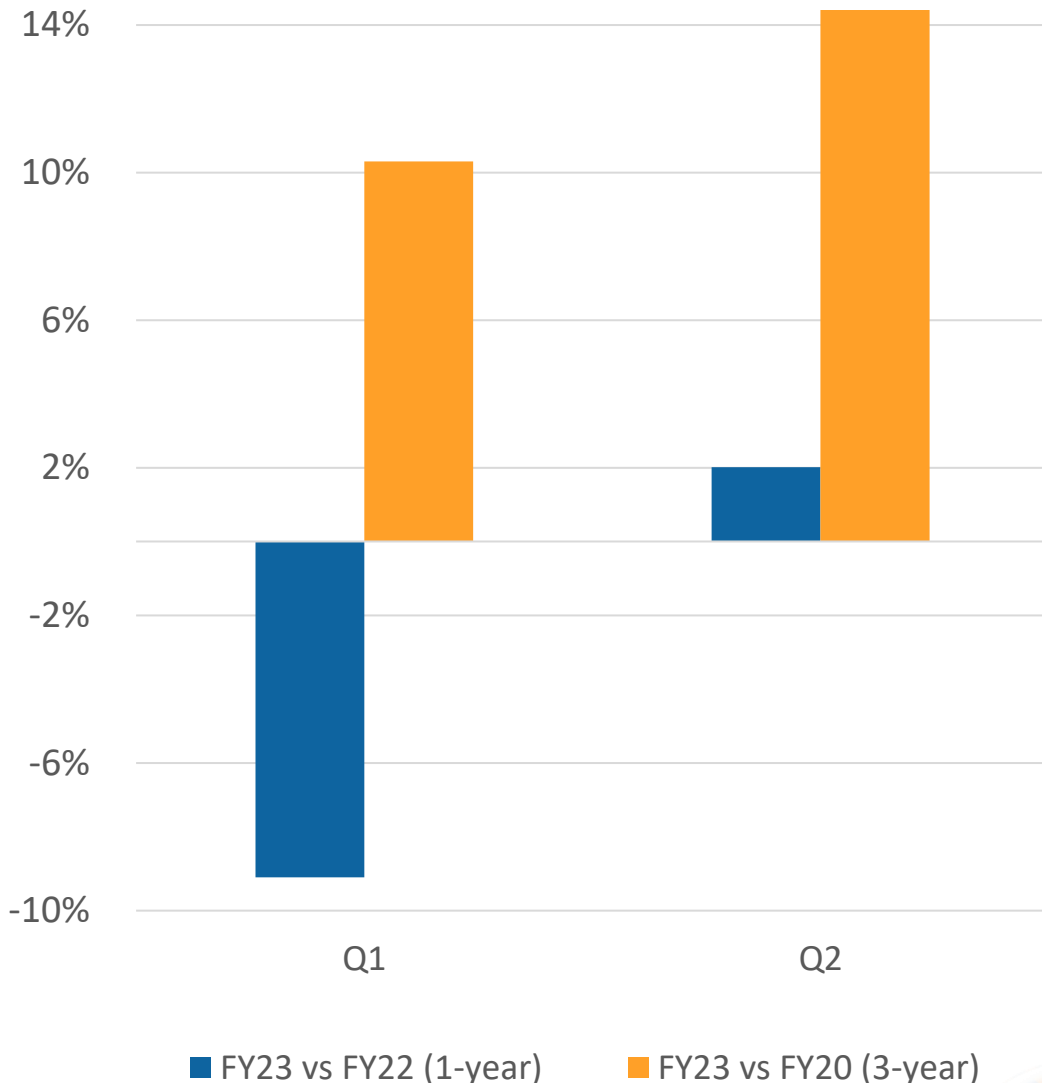
KEY HIGHLIGHTS

- In the core B&M UK fascia, operating costs were well managed, broadly flat YoY as a % of revenue
- Heron Foods operating costs increased from 25.3% to 25.9% of revenue versus H1 FY22
- B&M France operating costs as a percentage of revenue improved 369 bps versus H1 FY22
- Strong cost disciplines in place across all businesses



B&M UK: LFL Sales in H1 FY23

H1 FY23 SALES LFL

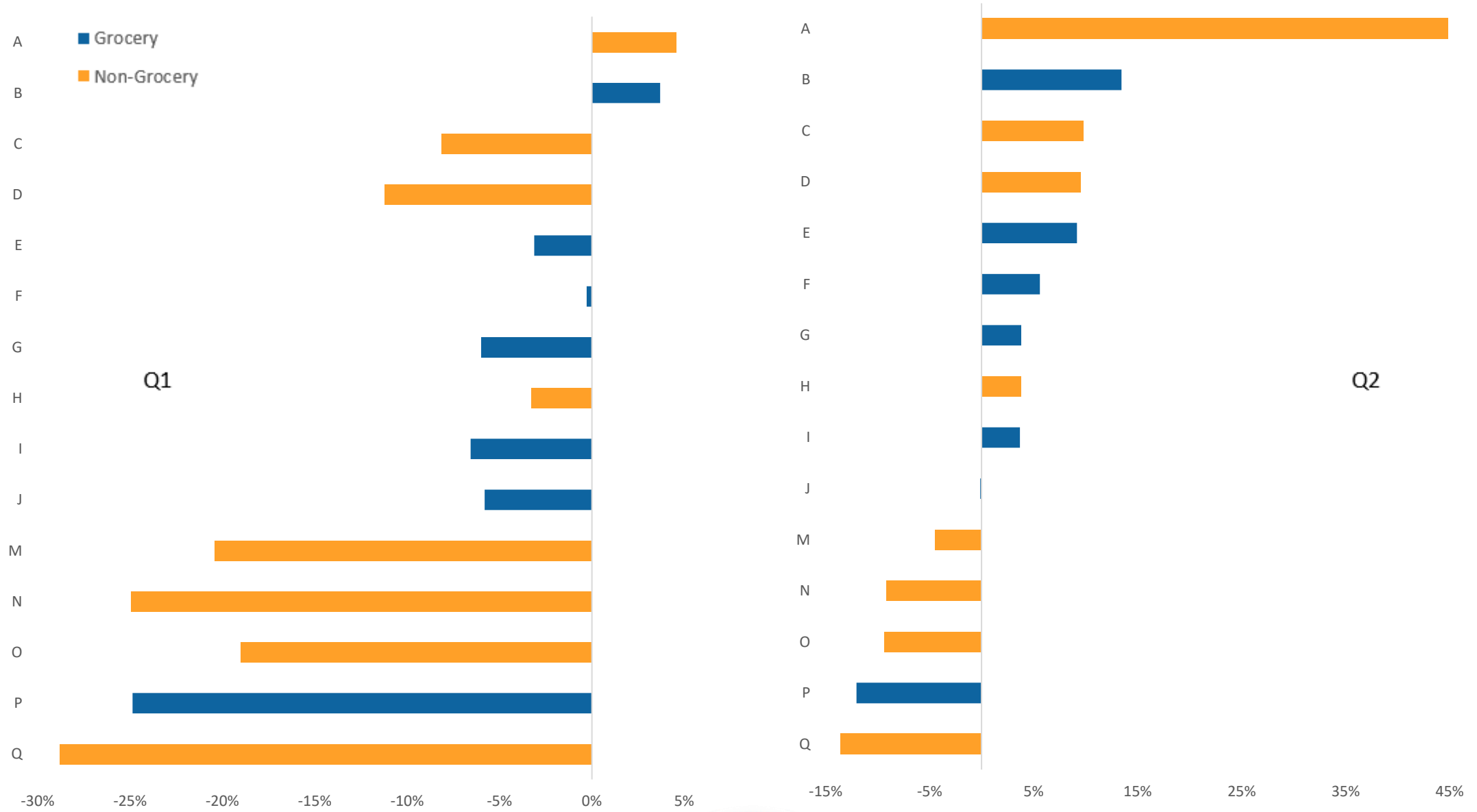


COMMENTARY

- On a 1-year basis, LFL sales decreased (3.9)% in the first half of the year
 - In Q1 - the decline of (9.1)% was affected by the exceptionally strong seasonal sales in the comparative period
 - Q2 LFL sales increased by +2.0%; LFL transaction numbers performed strongly and are positive YoY
- On a 3-year basis, LFL sales in Q2 increased by +14.4%



B&M UK: Q2 Category LFL Performance



B&M UK: Grocery & Non-Grocery Highlights

GROCERY

- Our price position remains consistently strong against the competition
- Supplier collaboration is very strong in driving volume growth
- Stock availability consistently strong



NON-GROCERY

- Direct sourcing model and strong supplier relationships maintain great product availability across our core ranges
- In H1, we launched our 'Simply Everyday' brand across our home range – reinforcing our entry price points which provides leading pricing versus the market



Strong supplier partnerships coupled with clever promotional campaigns using our social media platforms



B&M UK: Store Standards & Store Openings

STORE STANDARDS

Strong focus on our retail standards through a clear scoring metric independent from our field teams.

- Driving strong in-store availability
- Focus on a clear pricing message
- Consistent execution of our events calendar
- High standards throughout the store estate

A typical Out of Town relocation store



H1 FY23 OPENINGS

Continued investment in new stores remains but also a focus on relocations and expansions of the current store portfolio where required

- 10 gross new store openings in H1 FY23
- 4 relocations and 7 closures

RELOCATION CASE STUDY

An example of a relocation which was completed in H1 FY23. Key points to note:

- New location is in the same catchment area as old location but with increased square footage
- All original colleagues retained with additional staff added to the workforce
- Dramatically improved trading performance:

Sales*	+237%
Transactions	+118%
ATV	+55%

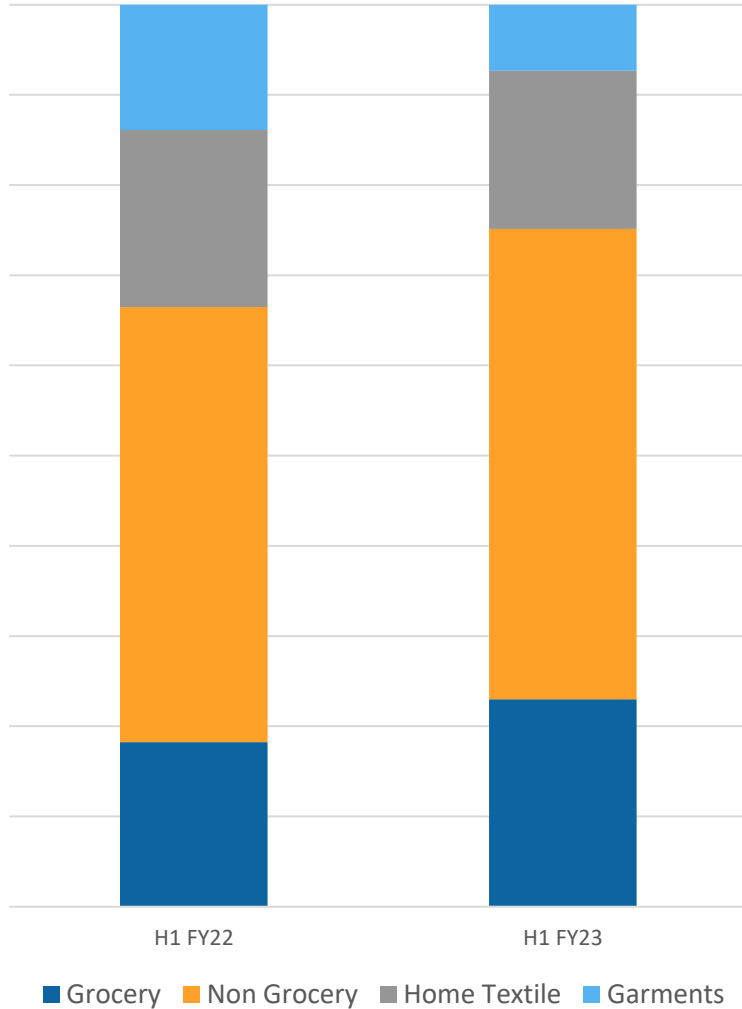


**New location sales taken from first 5 days of trade compared to average weekly sales of old location*

B&M France: Proposition Highlights

CATEGORY STRATEGY

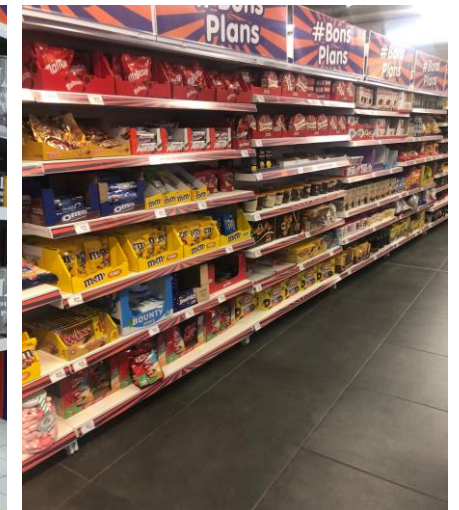
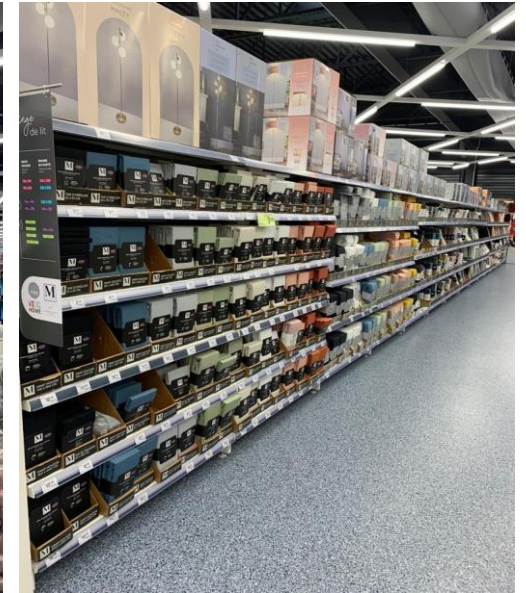
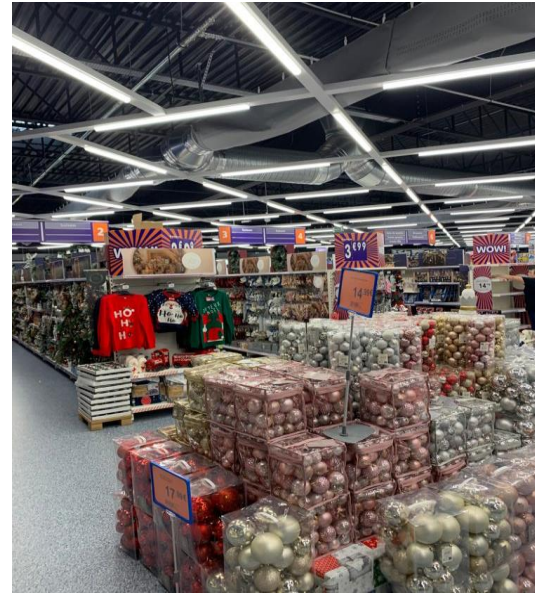
- Grocery departments lead the LFL growth thanks to a new category mix & new partnerships with leading brands such as L’Oreal, Nestlé, Ferrero and Mars
- Food categories such as confectionery, soft drinks and pantry goods are driving footfall and repeat visits.
- Health and beauty and cleaning categories (household and personal care) performing strongly
- Non-grocery departments benefit from appealing seasonal ranges in gardening & summer toys – product and price wins
- Continuity ranges such as homewares and home decoration continued to perform strongly and delivering high growth
- Independent shopping surveys rank us as the ‘Best non-food discount retailer in 2022’ and ‘Best home decoration and gifts retailer in 2022’



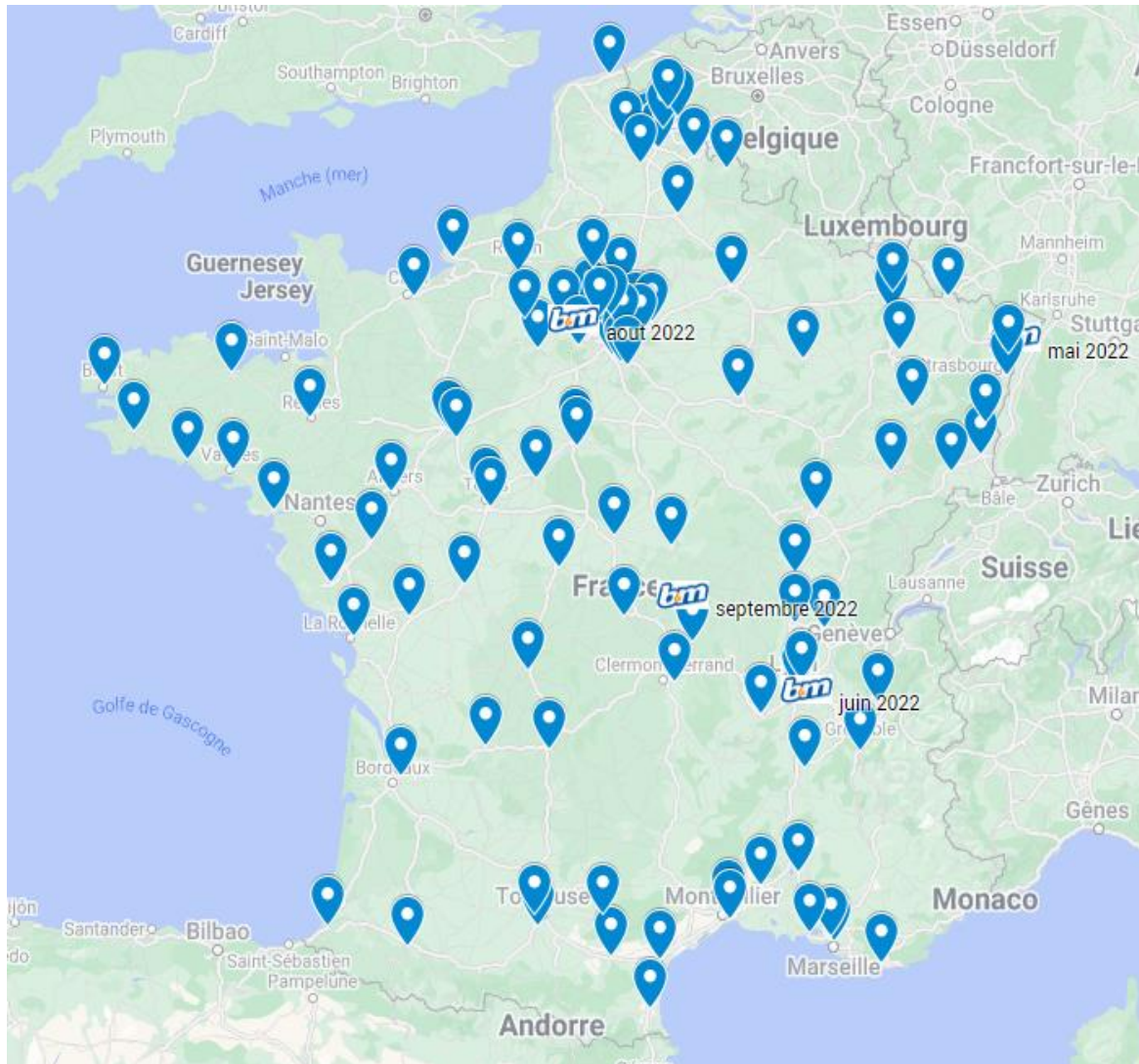
B&M France: Operational Standards

STORE STANDARDS

- Gradual increase of the share of company operated stores vs mandated managers operated stores (31 out of 111 total)
- Transport and distribution continues to improve service levels with good operational flexibility
- Focus on availability of best sellers, especially in FMCG, with an end-to-end approach (Supplier => DC => Stores)
- French leadership team in retail operations is now well established



B&M France: Growth



H1 FY23 OPENINGS

- 4 new store openings, 3 on 2,500 sqm format, 1 on 2,000sqm concept
 - Paris region (Flins)
 - Lyon region (Saint Bonnet)
 - East (Haguenau)
 - Centre (Moulins)
- All 4 new stores are company operated
- High contribution stores
- Future store pipeline continues to build with 3 more openings planned for H2



Heron Foods: Proposition Highlights

AMBIENT

- Big brands, low prices
- Full focus on our 'key' categories of confectionary, soft drinks and crisps
- Increased the ambient range to have a more compelling offer across the full estate
 - Increased range density in our largest 20% of the estate
- Extended range – over 120 additional lines in selected stores to drive additional spend and 'meal solution' including herbs & spices
- Opportunistic clearance across all sub-categories.



CHILLED

- Big brands, low prices
- Price investment across key categories to increase shopper numbers
- Opportunistic clearance buying from additional new suppliers to ensure we are getting after new trends
- New fresh produce roll out with new packaging design
- New fresh meat roll out, with new lines and suppliers
- Additional 'meal deal' focus to win new shoppers



Heron Foods: Proposition Highlights

FROZEN

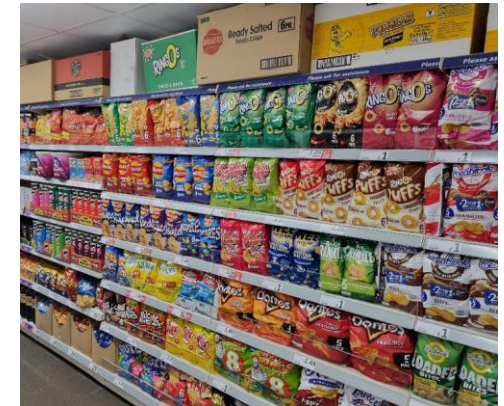
- Big brands, low prices
- Full focus on ‘clearance’ and one-off footfall driving promotional activity
- Collaborative and transactional relationships with suppliers to ensure we are getting the best products
- ‘Meal deal’ focus as a point of difference in the market - meal solutions are driving basket spend
- Increased focus on ice cream with it being the single biggest category in frozen – driving a full value proposition
- Own label focus and re-design to support trade down in current climate



Heron Foods: Operational Standards

STORE STANDARDS

- Great standards and availability = great sales
- Show the value, show the deal, every product has a price
- Order accuracy to sales, promotions, best sellers, accurate stock files
- Chase the gaps!
- Increase range & space through new fixturing, focused space realignment



Outlook for H2 FY23

- Well positioned for Golden Quarter with the right stock availability across the business
- In the first six weeks of Q3, B&M UK LFL sales have risen +2.5% with strong momentum in France
- Gross margin is expected to improve in H2 as our stock position is well controlled and Autumn/Winter is less exposed to weather patterns as Spring/Summer
- Continued cost and cash disciplines remained well-embedded in the business
- Confident of maintaining a Group adjusted EBITDA margin materially above pre-pandemic levels
- Store pipeline in H2 FY23 for B&M UK is expected to be 10-12, 3 for B&M France and 8 for Heron Foods
- We confirm previous guidance given of £550m-£600m Group adjusted EBITDA, significantly ahead of the pre-pandemic level of £342m in FY20

