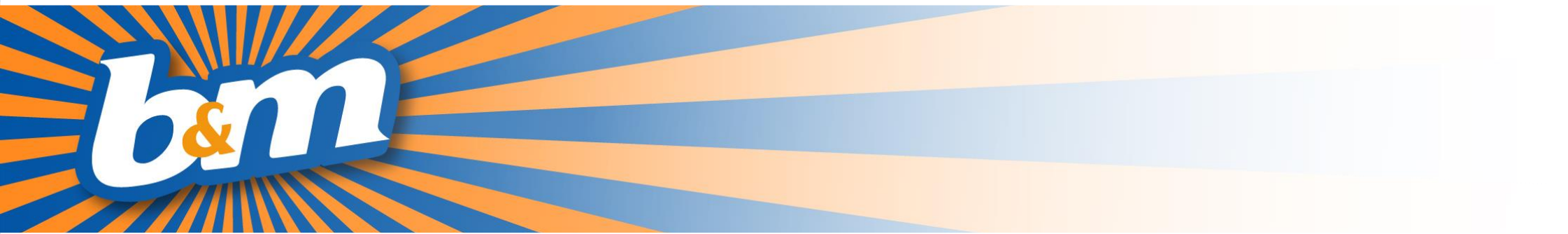




***B&M European Value Retail SA  
Preliminary Results Presentation  
53 weeks to 31st March 2018***



# FY18 Group Highlights

- Group revenues increased by 22.4% to £2,976.3m
  - B&M UK LFL revenues +4.7%
  - 47 gross new B&M store openings in the UK
  - 12 gross new store openings in Germany
  - Acquired Heron C-store chain which opened a net 9 new stores
- Group adjusted EBITDA increased by 18.8% to £279.0m
- Adjusted diluted EPS 17.8p, an increase of 19.4%
- Completed land acquisition for new UK warehouse in the South of the UK
- Net cashflow from operations £242.0m, an increase of 14.8%
  - Adjusted EBITDA to net debt of 1.92x (1.72x excluding the capex incurred on new Southern warehouse)
- Full year dividend 7.2p, an increase of 24.1%



Paul McDonald  
Chief Financial Officer



# Summary Profit and Loss

<i>£ millions, March year end</i>	<i>FY17A</i>	<i>FY18A</i>	<i>%</i>	<i>FY18A (53 Weeks)</i>
Group Stores	612	927	51.5%	927
Revenues	2,430.7	2,976.3	22.4%	3,029.8
Gross Profit	845.8	1,010.2	19.4%	1,028.4
%	34.8%	33.9%	(86)bps	33.9%
Operating Costs	(610.9)	(731.2)	19.7%	(745.1)
<b>Adjusted EBITDA</b>	<b>234.9</b>	<b>279.0</b>	<b>18.8%</b>	<b>283.3</b>
%	9.7%	9.4%	(29)bps	9.4%
Depreciation and Amortisation	(26.0)	(36.2)	39.0%	(36.9)
Interest	(18.7)	(21.4)	14.0%	(21.6)
<b>Adjusted Profit Before Tax</b>	<b>190.2</b>	<b>221.5</b>	<b>16.5%</b>	<b>224.8</b>
Adjusting	(3.4)	(4.9)	45.0%	(4.9)
Exceptional Interest	(3.9)	9.4	(343.2)%	9.4
<b>Profit / (Loss) Before Tax</b>	<b>182.9</b>	<b>226.1</b>	<b>23.6%</b>	<b>229.3</b>
Adjusted Diluted Earnings per Share (p)	14.9p	17.8p	19.5%	18.0p
Statutory Diluted Earnings per Share (p)	14.3p	18.3p	27.9%	18.6p

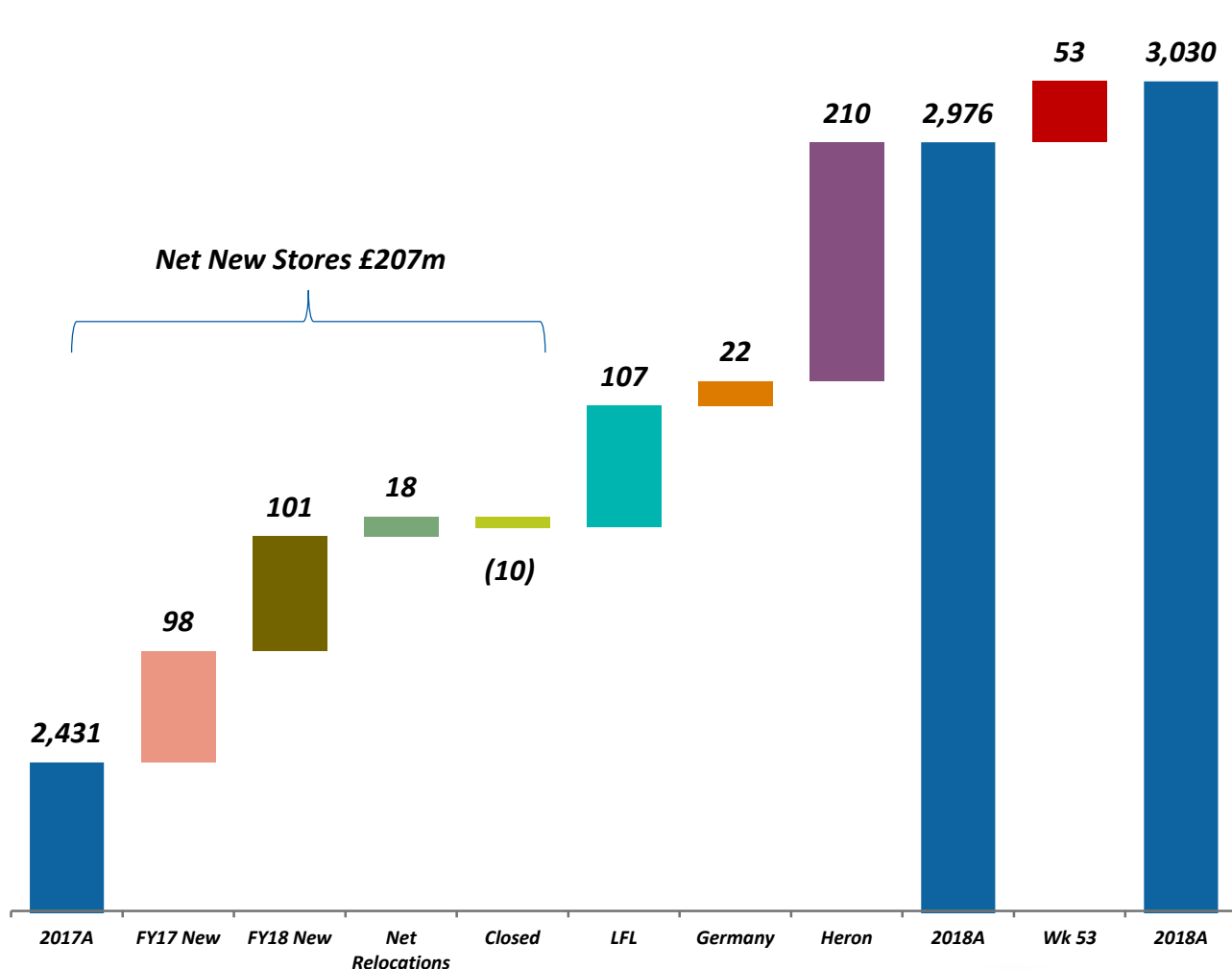


Note: 1. FY18 relates to the 52 weeks ending 24 March 2018

# Group Revenue Bridge

£ millions,

## REVENUE FY17A-FY18A



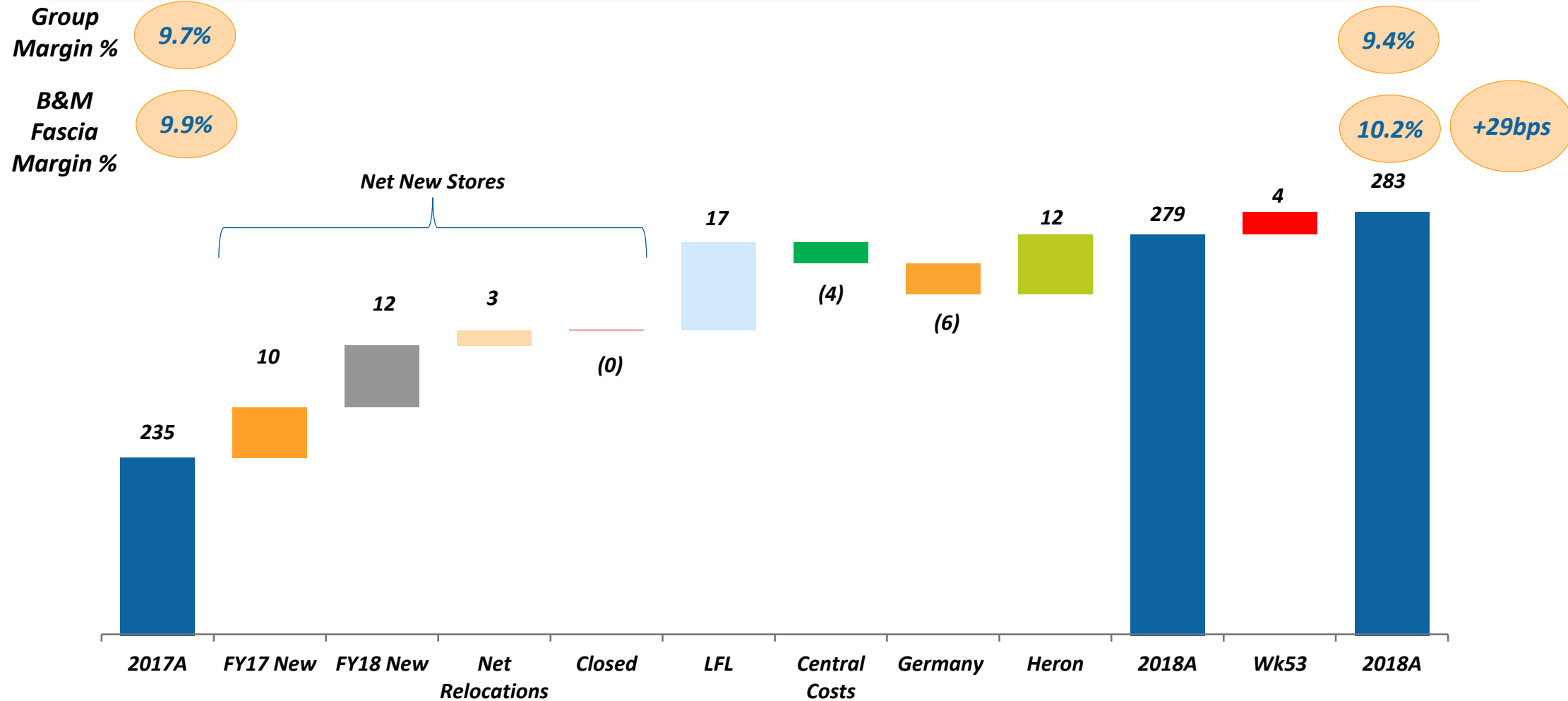
- +22.4% revenue growth for 52 week period
- B&M UK growth + 13.9%
  - Annualisation of FY17 new store openings
  - 47 new stores opened in the UK including 5 relocations. Closed 3 stores.
  - UK LFL +4.7%
- Heron revenues: £210m from 8 months ownership
- Germany delivered +12.3% revenue growth
  - Annualisation of 19 new stores in FY17 and 11 net openings
- Disappointing LFL performance due to gardening category and management change



# Continued EBITDA Growth

£ millions,

## ADJUSTED EBITDA BRIDGE FY17A-FY18A



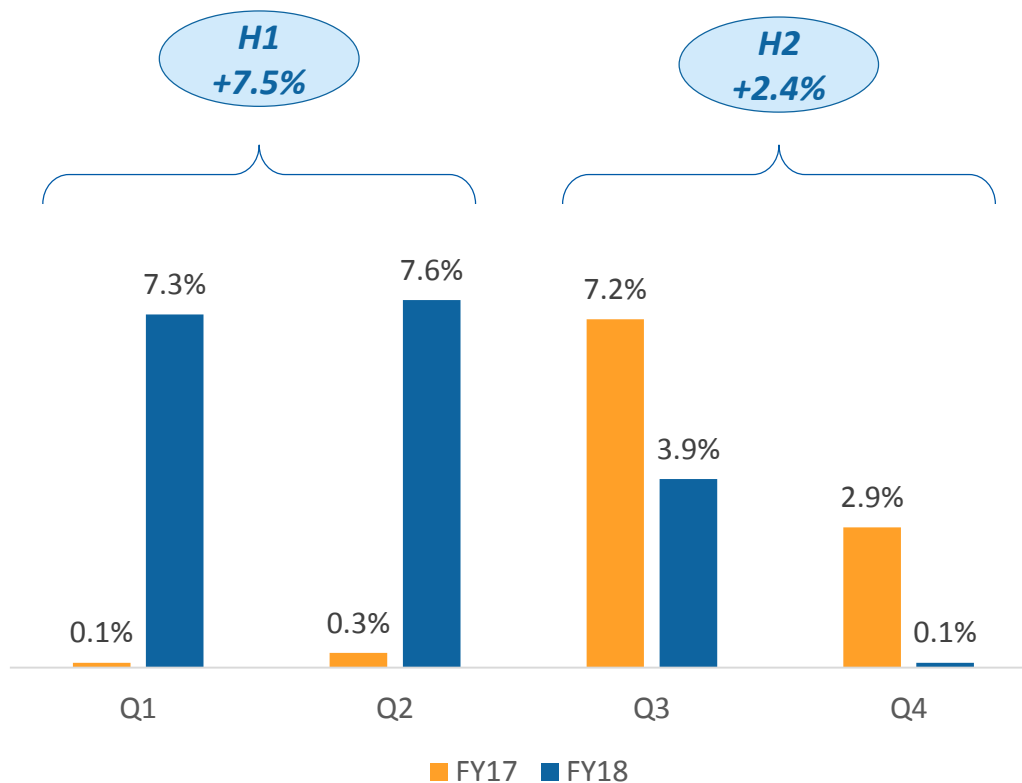
Note: 1. Central costs include UK new store pre opening costs



# B&M Fascia LFL Sales



## FY18A



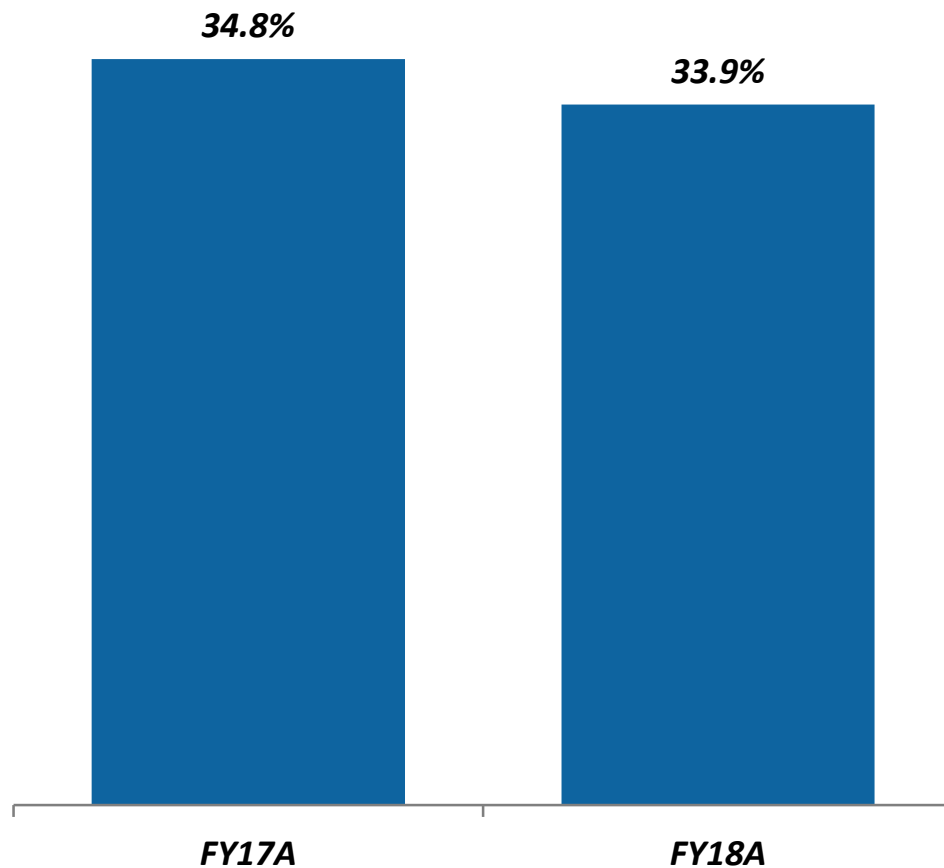
## COMMENTARY

- Full year LFL growth of +4.7% at the core B&M fascia
- Q4 was flat as a result of the snow and weather in March. January and February LFL was +3.3%
- The growth is coming from both increases in customer numbers and average transaction value
- The growth in the year is as a result of:
  - Benefitting from retail price inflation (c. 2%), although easing
  - Maintained price gap and competitiveness of Grocery / FMCG
  - No material cannibalisation
- We have seen a pleasing start to the current year. Excluding Easter week, YTD is +3.1% LFL



# Gross Margin Outturn

## GROSS MARGIN (%)



## KEY HIGHLIGHTS

- B&M margins were 69bps lower
  - Continued shift in the mix towards grocery/FMCG ranges, 35bps, as consumers drawn to value and rein back on discretionary
  - Rates of sale on some general merchandise
  - Impact of March 2018 snow, 5bps points
- Heron impacted overall margin by 14bps as expected, due to the lower margin food offer
- Jawoll margins have worsened by 100bps, largely relating to accelerated clearance activity and poor gardening sales
- Positive outlook for FY19, currently hedged FX to end of 2018, but outturn will depend on success of seasonal ranges and product mix



# Operating Costs

£ millions,

	FY17A	FY18A
Store Costs	424.2	465.3
Transport and Distribution	86.4	94.2
Central Costs	40.9	45.4
New Store Pre-Opening	4.6	3.6
<b>Total B&amp;M</b>	<b>556.0</b>	<b>608.5</b>
Heron	-	55.5
Germany	54.9	67.1
Depreciation	26.0	36.2

## % of Revenue

Store Costs	18.8%	18.1%
Transport and Distribution	3.8%	3.7%
Central Costs	1.8%	1.8%
New Store Pre-Opening	0.2%	0.1%
<b>Total B&amp;M %</b>	<b>24.7%</b>	<b>23.7%</b>
Heron %	-	26.4%
Germany %	30.8%	33.5%
Depreciation %	1.1%	1.2%

## KEY HIGHLIGHTS

- B&M costs 97bps lower than last year as a % of sales
  - Impact of Living Wage cost pressure largely mitigated
  - Efficiency improvements in T&D costs
  - Store fixed cost base benefitting from operational leverage
- Heron cost as a % of revenues, 26.4% reflecting smaller store size and higher relative central cost base
- Germany, operating costs increased by 22.3% to £67.1m
- Higher depreciation charge following the acquisition of Heron, expect FY19 to be 1.3%



Note: 1. FY18 relates to the 52 weeks ending 24 March 2018

# Interest Expenses

£ millions,

	<i>FY17A</i>	<i>FY18A</i>
<i>Interest</i>	17.3	20.1
<i>Amortised Fees</i>	1.4	1.5
<b>Total</b>	<b>18.7</b>	<b>21.6</b>
<i>Put/Call Option</i>	0.2	(10.1)
<i>Fees Write Off</i>	3.7	-
<i>Heron Deferred Consideration</i>	-	0.7
<b>Total</b>	<b>3.9</b>	<b>(9.4)</b>

## KEY HIGHLIGHTS

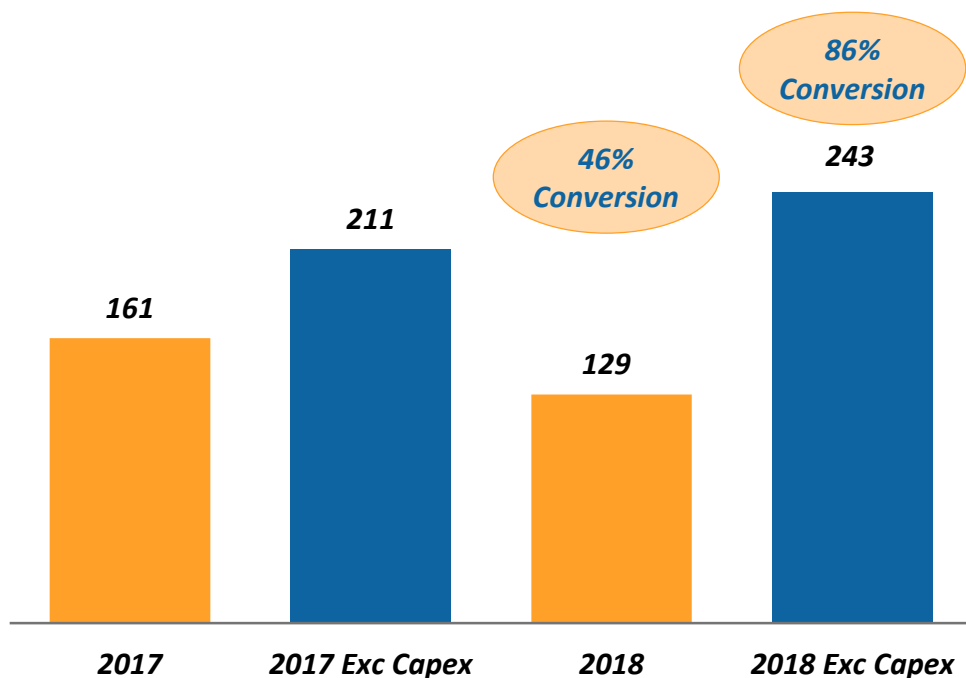
- Interest and amortised fees relating to the bank debt
- On-going interest charge of c. £22m including fee amortisation
- A net £10.1m non-cash credit relating to the revaluation of the option over the 20% of Jawoll shares not currently owned by the Group. This is expected to be exercised in Summer 2019
- £0.7m of non-cash interest relating to the accounting treatment of the Heron deferred consideration, an annualised £1.2m



# Strong Cash Flow Conversion

£ millions,

## OPERATING CASH FLOW



**Tight working capital discipline,  
8.9% of group revenues**

**Net debt / Adjusted EBITDA 1.72x, in line  
with LY excluding Capex on new Southern  
Warehouse**

## CASH FLOW STATEMENT

£m	FY17A	FY18A
<b>Adjusted EBITDA</b>	<b>234.9</b>	<b>283.3</b>
<i>Change in Working Capital</i>	(23.9)	(40.2)
New Store Capex	(32.5)	(33.7)
Infrastructure Capex	(3.5)	(62.4)
Maintenance Capex	(14.4)	(18.0)
<b>Capex</b>	<b>(50.4)</b>	<b>(114.1)</b>
<b>Operating Cash Flow</b>	<b>160.6</b>	<b>129.0</b>
Tax	(31.8)	(44.0)
Acquisition <sub>2</sub>	(2.4)	(107.2)
Other <sub>3</sub>	0.1	1.3
<b>Operating and Investing Cash Flow</b>	<b>126.5</b>	<b>(20.9)</b>
<b>Net Debt / Adjusted EBITDA</b>	<b>1.71x</b>	<b>1.92x</b>

Note 1: Cash Conversion is defined as Operating Cash Flow as a percentage of Adjusted EBITDA.

Note 2: Jawoll acquisition of 9 store chain net of cash acquired in FY17 and the acquisition of Heron in FY18

Note 3: Other includes interest and dividends receivable



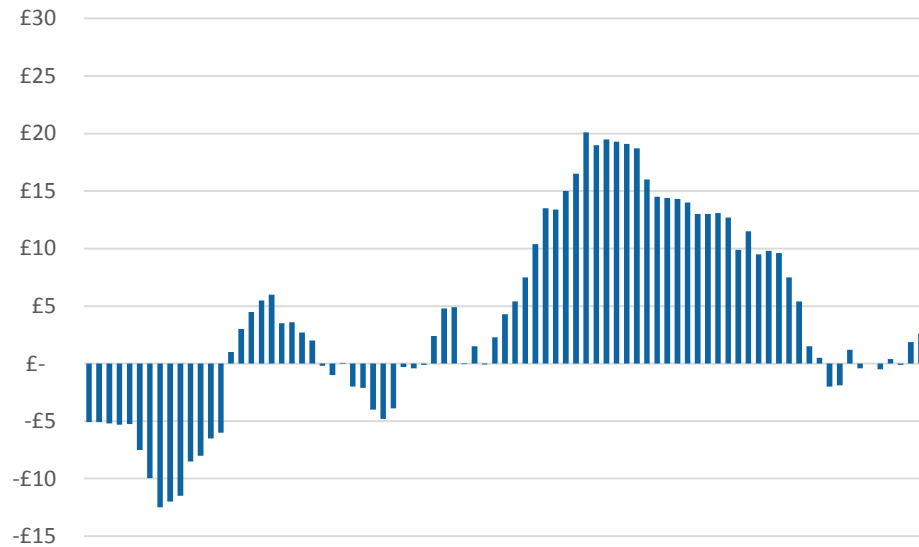
Simon Arora

Chief Executive Officer



# UK Consumers are still finding it tough

Year On Year change in Asda Weekly Income Tracker, March 2018

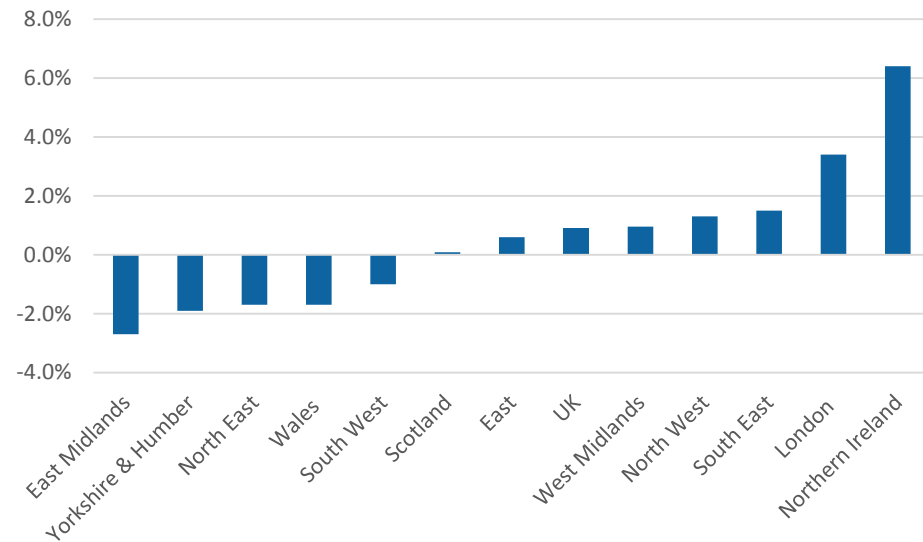


*"The Asda Income Tracker was £2.63 a week higher in March 2018 than a year before"*

*"Incomes only rising 1.8% for over 65's"*

Wide Variance across Regions

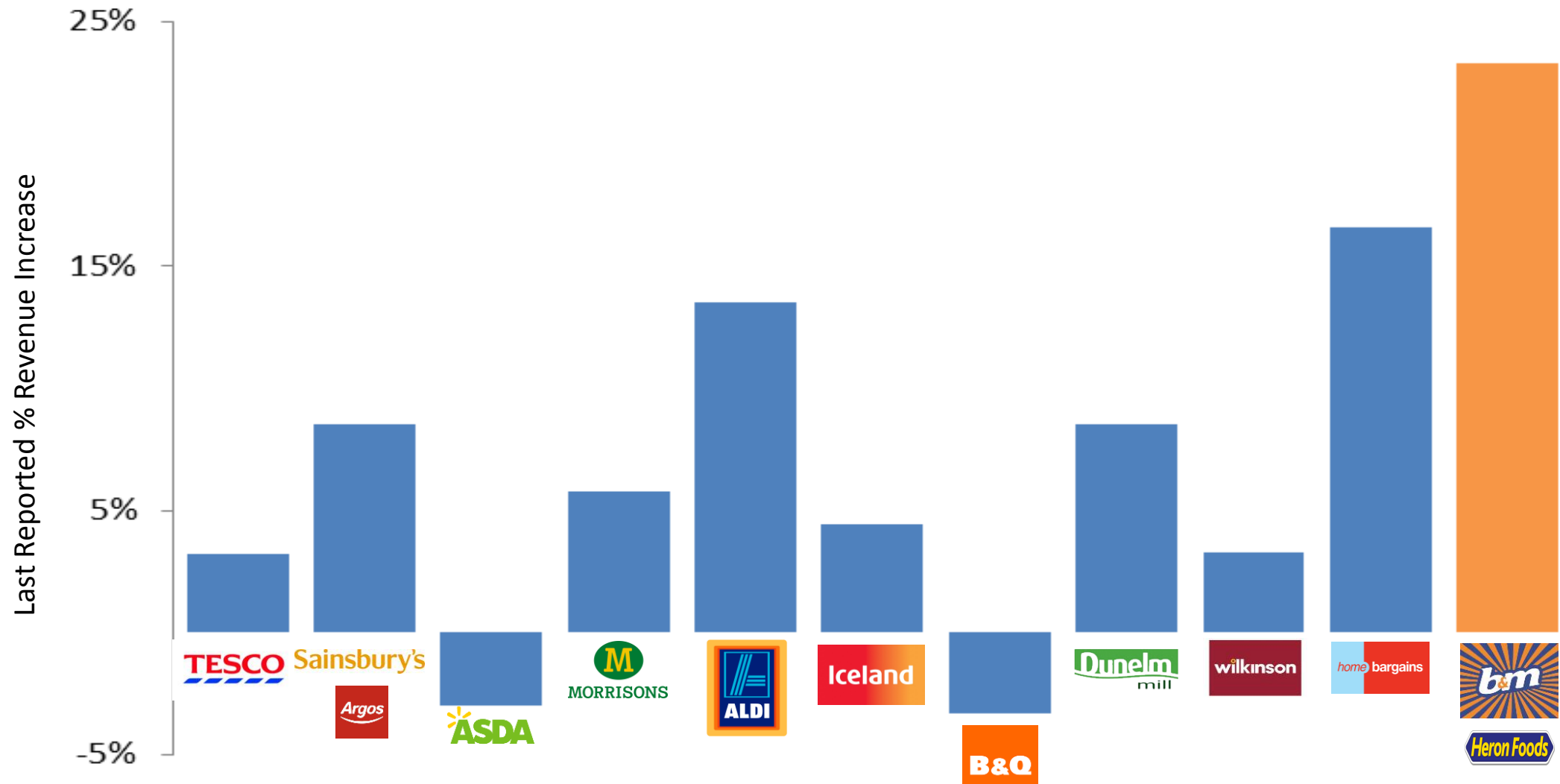
Gross Income Growth, Q1 2018 Asda Income Tracker



Wide Variance across Household Income Groups  
YOY Discretionary Spending<sup>(1)</sup>



# UK Revenue Growth



Note: 1. Latest annual accounts or full year announcements, up to May 2018. Revenues exclude VAT

Note 2. B&M figures include Heron Foods and are stated on a 52 week basis.

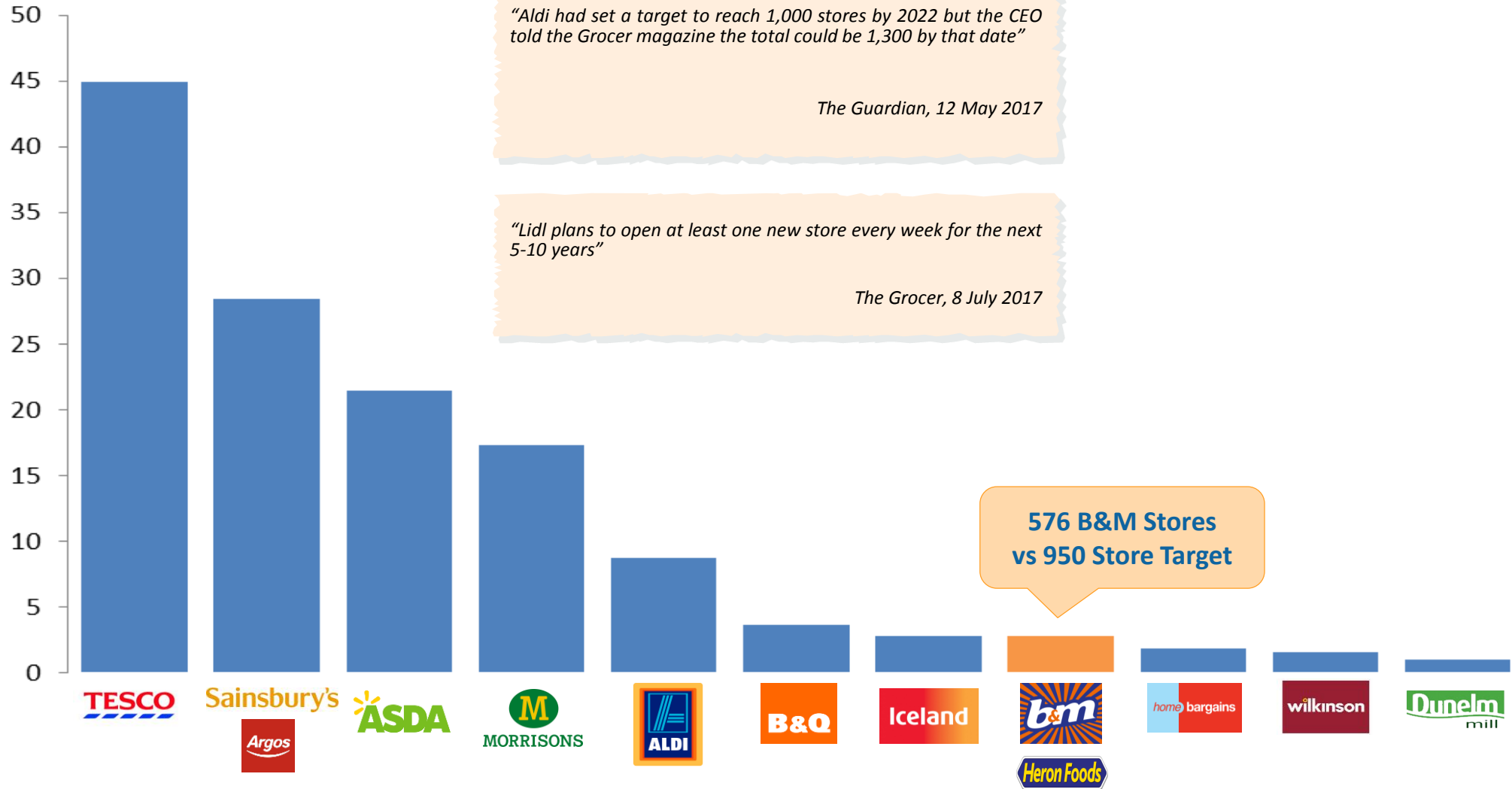
Note 3. Lidl do not separately disclose UK revenues



# B&M has Further Room For Growth



UK Revenues  
£' billions

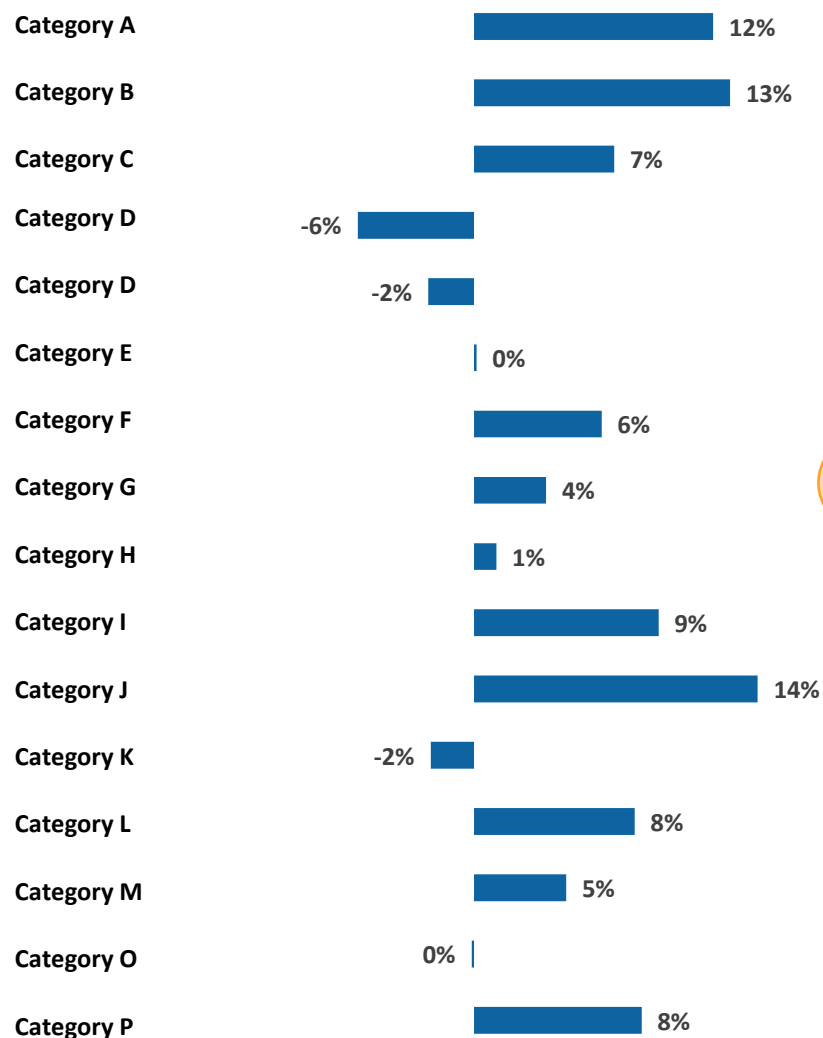


Note: 1. Latest annual accounts or full year announcements, up to May 2018. Revenues exclude VAT  
Note 2. B&M figures include Heron Foods and are stated on a 52 week basis.  
Note 3. Lidl do not separately disclose UK revenues



# Broad based LFL Performance

## FULL YEAR CATEGORY LFL



FY18 LFL  
4.7%

## COMMENTARY

- Currency-led Inflation theoretically affected all categories but is clearly not the sole driver.
- YE 30/3/17 Food LFL was +6%, growth started pre-Brexit

### Market Context - demonstrates our winning proposition

- Big Four Grocers' last reported Full Year LFL:
  - Tesco +2.2%
  - Sainsbury +1.3%
  - Asda +0.5%
  - Morrisons +2.8%
- Major Category Specialists last reported Full Year LFL:
  - B&Q -2.8%
  - Dunelm -0.5%
- BRC full year LFL average was +1.1%, 12m ending Mar-18

# Product Initiatives - Frozen & Chilled Update



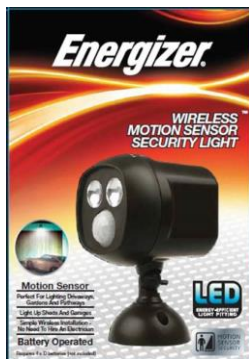
## COMMENTARY

- At 14/05/18, we had Frozen & Chilled Departments deployed at 70 B&M stores.
- On average, these stores have seen a +5% improvement to LFL's
- These stores are serviced by Heron DC in Hull. We will pause at 80 B&M stores until our Bedford DC is operational, so that we do not restrict Heron's ongoing store rollout
- DC in Bedford to go live in approx. 18-24 months, and can service Frozen/Chilled at 300 B&M fascia locations
- Capex payback on Frozen / Chilled deployment at store is 18 months



# Product Initiatives - Other

## MORE 'DIRECT TO RETAIL' LICENCING

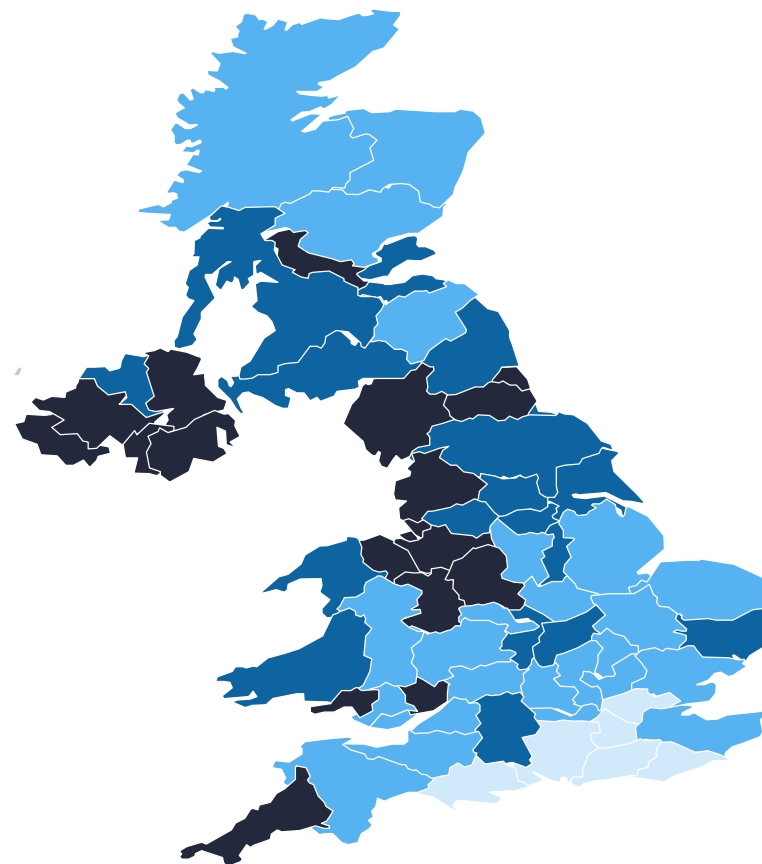
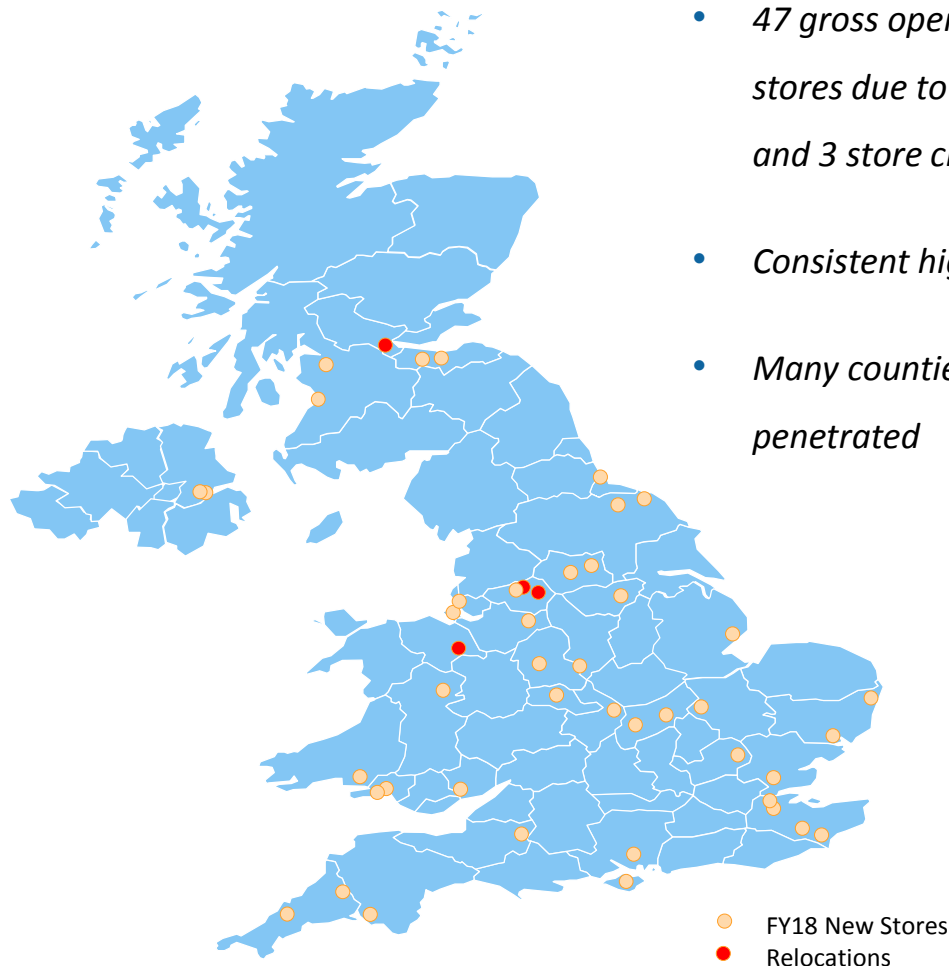


# Expansion in both Infill and New Regions

## FY18 OPENINGS

## 576 STORES AS AT MARCH 2018

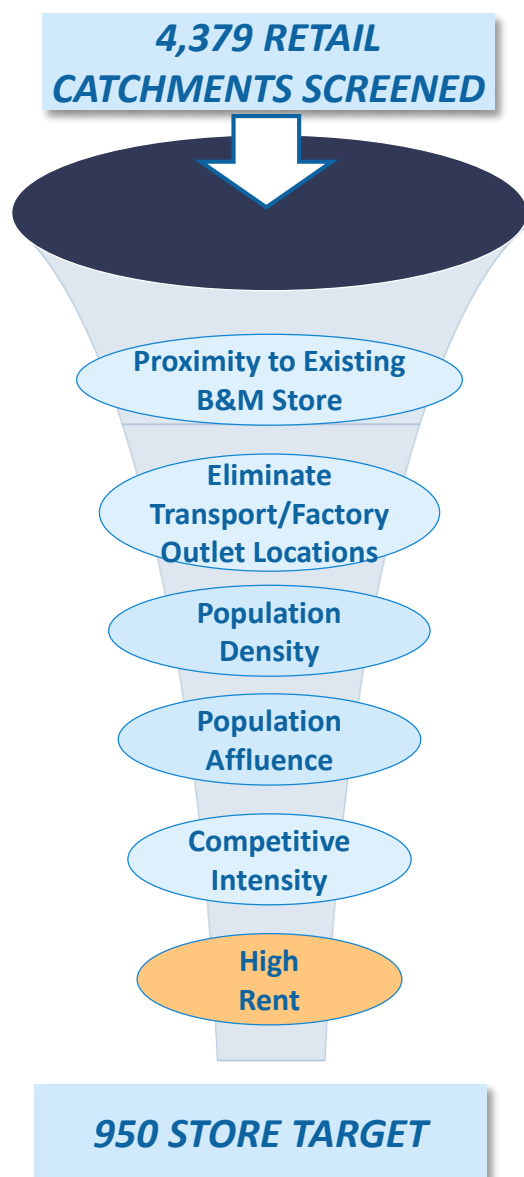
- 47 gross openings (net 39 stores due to 5 relocations and 3 store closures)
- Consistent high store returns
- Many counties still under-penetrated



## STORES PER 100,000 POPULATION



# We re-affirm our 950 UK Store Target



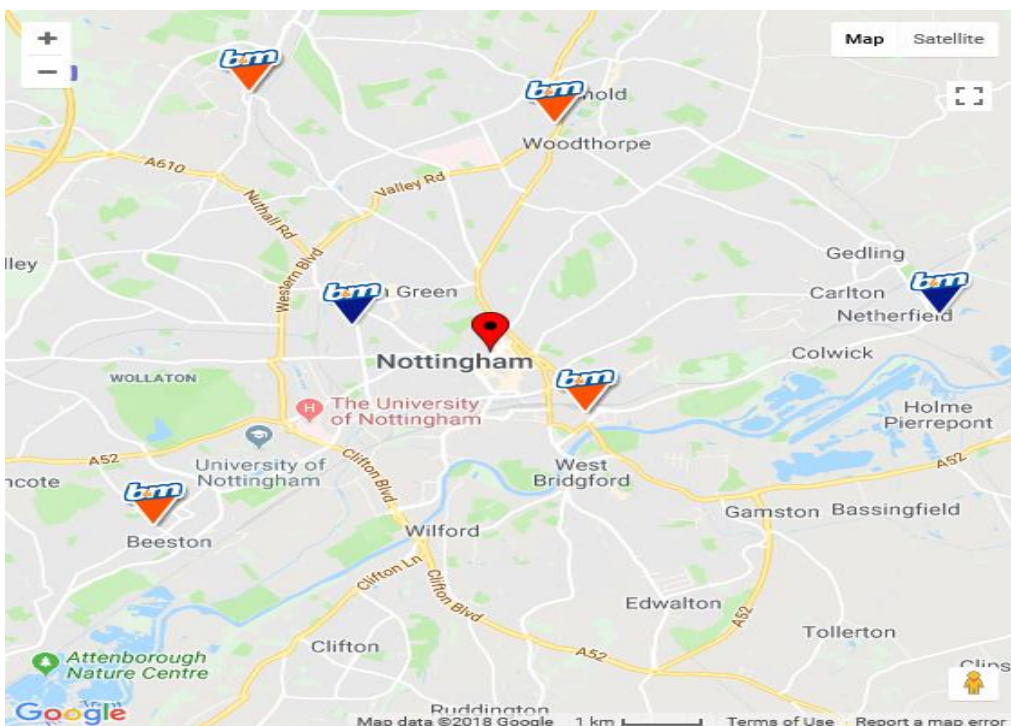
## COMMENTARY

- Our stores generally draw on only a 10 minute catchment, versus Big Ticket category specialists who need to draw from 30-40 minutes away.
- Our store target does not include a material number of London locations due to the Rent Filter. However, 87% of the UK population live outside London. London's disproportionately high 18% share of UK Disposable Household Income is not relevant to our Product categories.
- Outside of Central London population it is clear that discount retailing is very popular (e.g. Aldi, Lidl, Poundshops, all exist across South and South-East)
- Dollar General's roll-out has not been predicated on penetration of Manhattan or prime L.A., Miami, Boston etc.



# B&M stores do not need a wide catchment

## CASE STUDY: NOTTINGHAM'S 6 STORES



- 4 Bargains and 2 Homestores in Nottingham
- All located within 4 mile radius of Nottingham City Centre
- FY18 revenues £27.2m and store contribution of £4.0m (15%)

## COMMENTARY

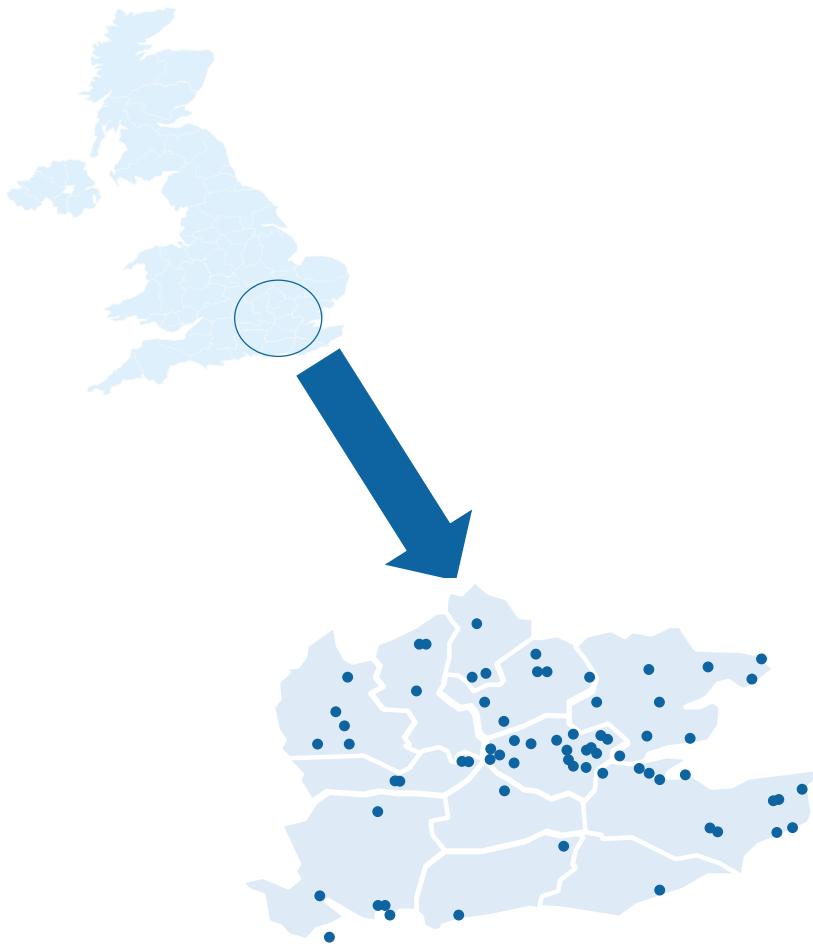
- B&M competes in a very large addressable market of £130bn General Merchandise and £160bn Grocery sector in the UK
- Our broad range of categories, everything from Food to Gardening to DIY, but selling just the bestsellers, means we serve a very broad range of shoppers needs within a very local catchment
- Our average basket at £13.85 means shoppers live primarily within a 10 minute drive time as our catchment
- We can have multiple stores only 10 minutes apart, and still generate healthy returns
- 'Clustering' stores has benefits for logistics, area management and brand recognition



# Success in the South East



## COMMENTARY



- At IPO, only 19 stores in the South East
- At March 2018, we have 69 stores in the South East
- FY18 revenues in the South East, £326m
- South East up from 6% of estate to now 12% of B&M estate's revenues
- Average store contribution in South East is £826k vs £791k for rest of estate
- Higher Gross Margin offsets higher rent costs
- We do not need to open many stores in Central London within 950 store target



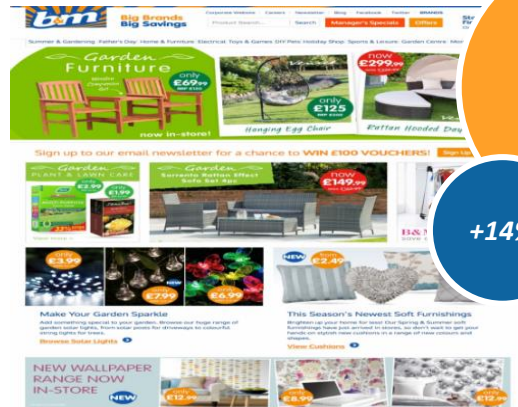
# Digital Marketing Update



WEBSITE

+32%

May-18: **1,067k** users p.w.  
May-17: **807k** users p.w.



FACEBOOK

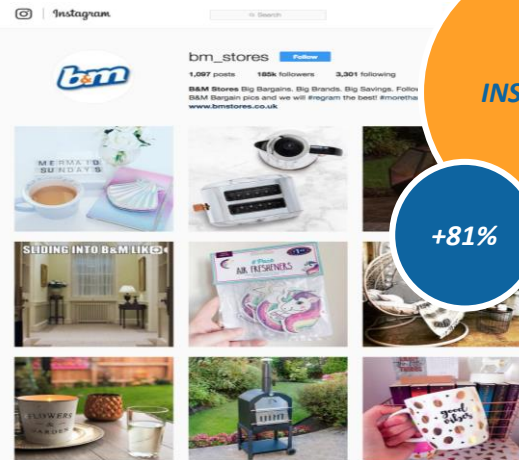
+14%

**NOT RELIANT ON T.V.  
ADVERTISING**

T.V. Advertising Spend:

Q3: **£1.5m** (FY17 **£3.0m**)

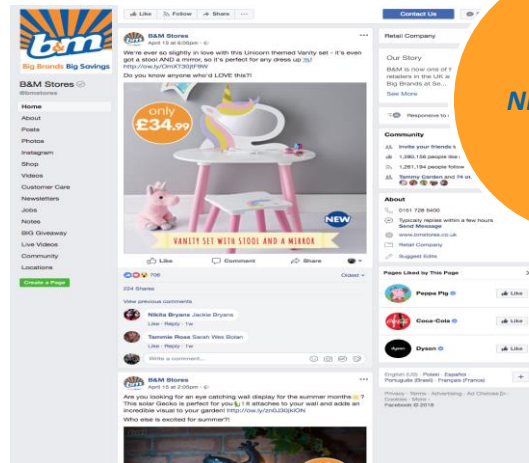
Q4: **£0.0m** (FY17 **£0.8m**)



INSTAGRAM

+81%

Followers May-18: **185k**  
Followers May-17: **102k**



NEWSLETTER

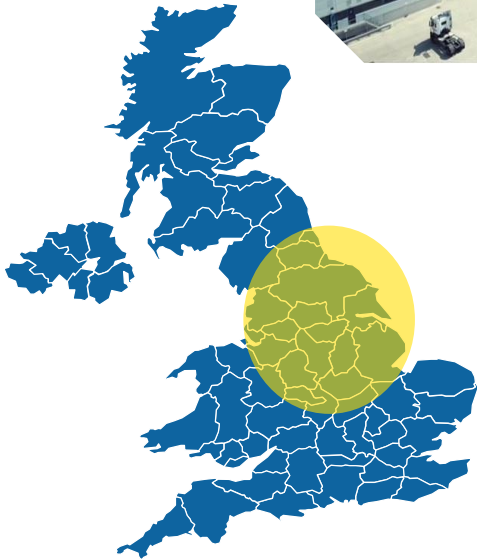


# Heron Foods Update

**Heron Foods**

## HIGHLIGHTS

- Heron acquisition proving to be successful
- We are delighted by the calibre of management and store colleagues, as well as the I.T. and Distribution capabilities
- We opened 9 new stores and plan to open 15-20 stores per annum
- Heron stores average 2,750 ft<sup>2</sup> sales area and serve a very localised neighbourhood customer base
- LFL trading over FY18 has been high single digit % since acquisition



# New Warehouse Investment in the UK



## IMPRESSION OF PROPOSED NEW DC FOR THE SOUTH



## KEY HIGHLIGHTS

- Acquired land for 1,000,000 sq ft warehouse in Bedford at a cost of £44m
- Build and fit out costs over the next 18 months is expected to be c. £65m
- We propose to 'Sale and Leaseback' the facility immediately upon completion, to retain our 'capital light' model and recoup the outlay in full
- The facility will accelerate our expansion in the South and will proceed with roll-out of Frozen / Chilled



# International Expansion - Germany

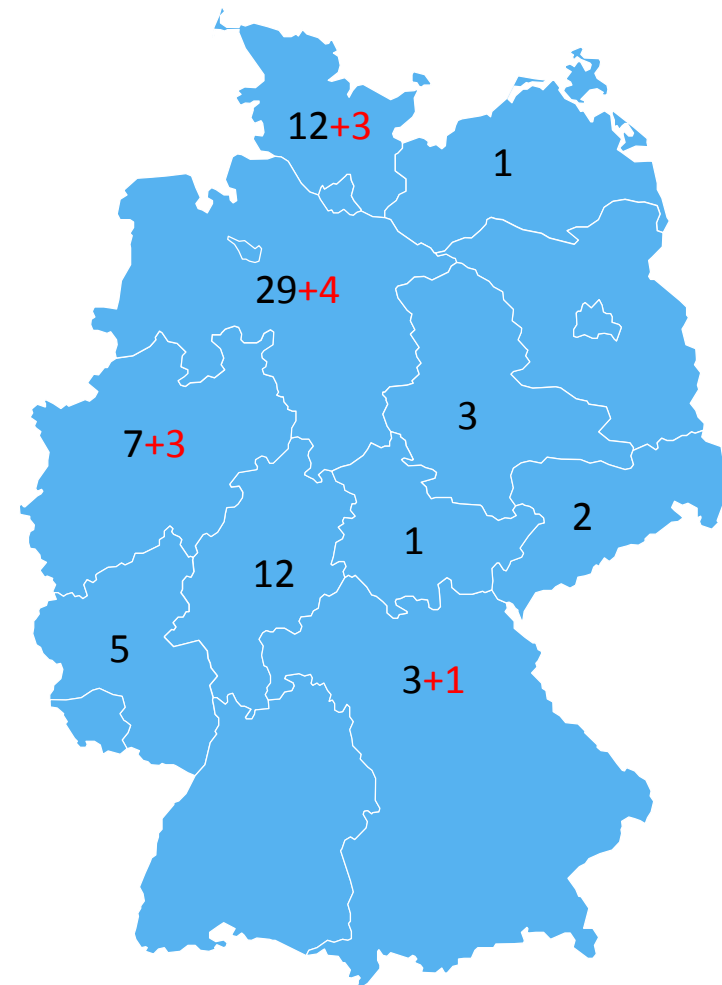


## SUMMARY

- Delivered revenue growth of 12.3%
- The worst gardening and plant season in years. The disruption from the change of management has also contributed to a disappointing reduction in EBITDA
- 12 new stores opening including one relocation and expecting 10 organic openings in FY18
- Appointment of a new CEO, Christian Mueller, ex-Action's country manager for Germany, with multiple new appointments at Exco level
- Accelerating the pace of change to the "B&M" Model
  - Increased rate of product change and direct sourcing, working to date
  - Additional clearance activity to facilitate new ranges
  - Take advantage of new store opening opportunities
  - Efficiency and store standard improvements
  - Closer working between Group and Jawoll following retirement of vendor
- The sales performance in the early weeks of FY19 has been strong

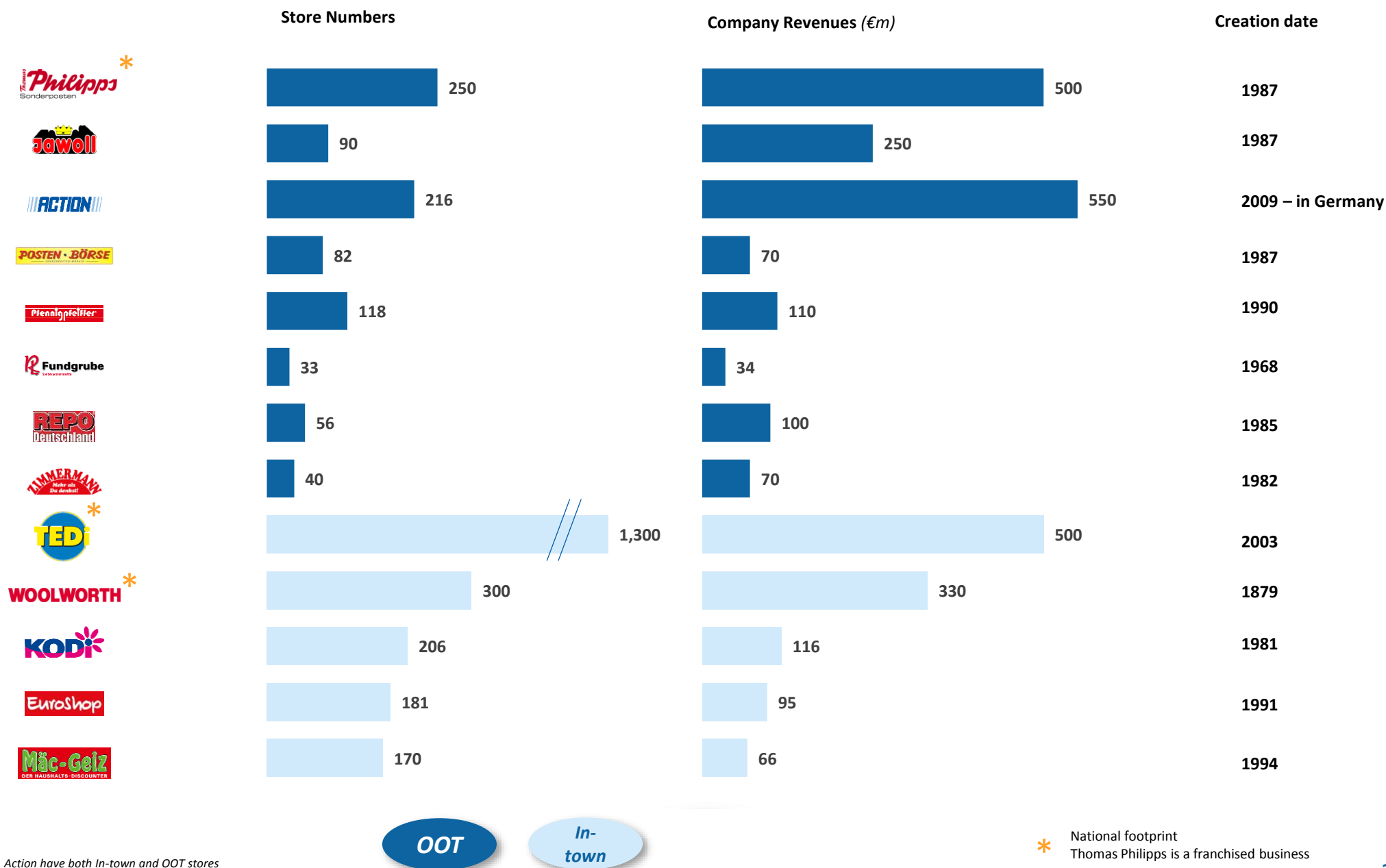


## CURRENT FOOTPRINT – GERMANY

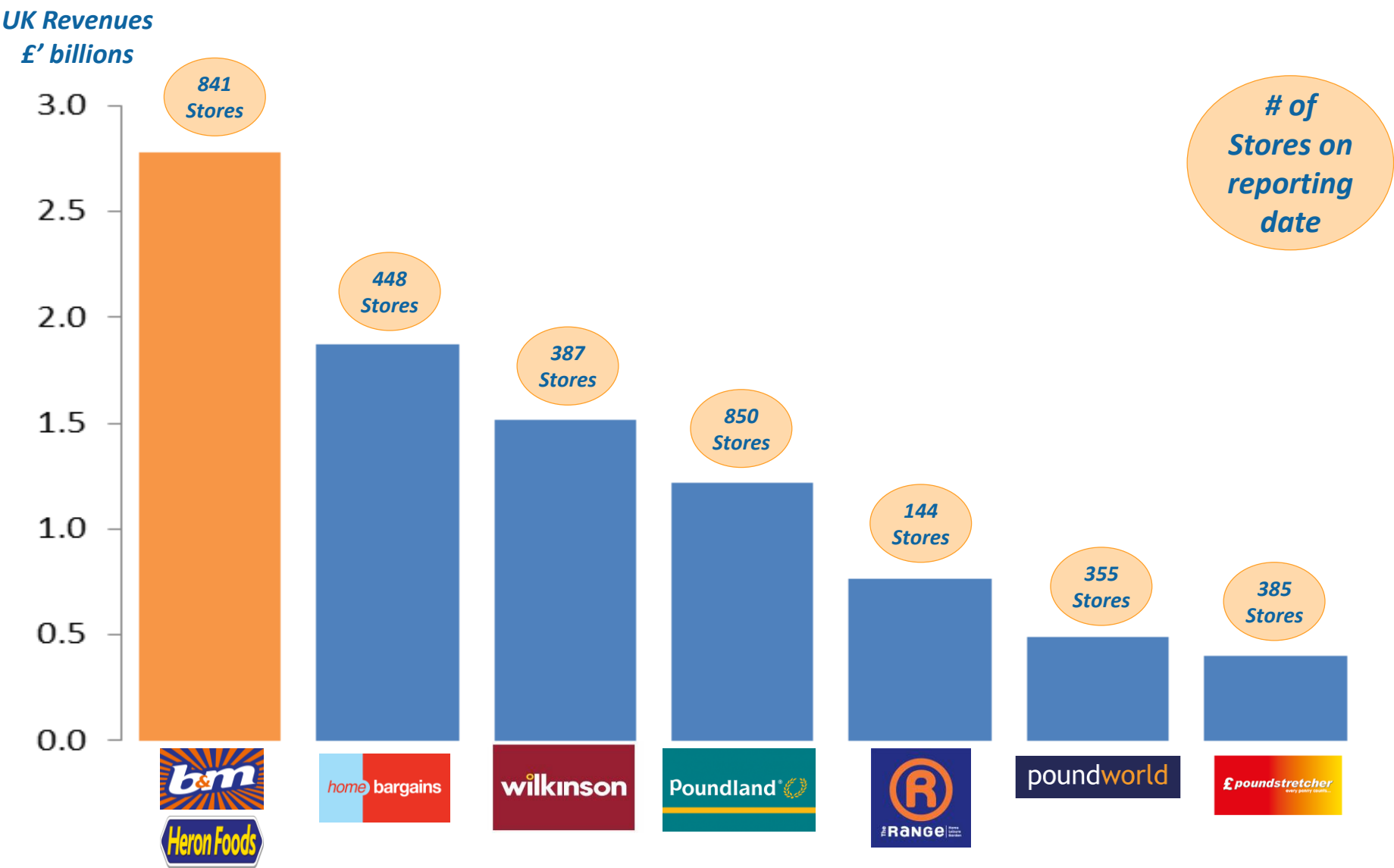


Number of Stores by Region with new stores highlighted in red

# Germany: An Established Category with National Champions likely to Emerge



# The UK experience suggests there is room for multiple formats

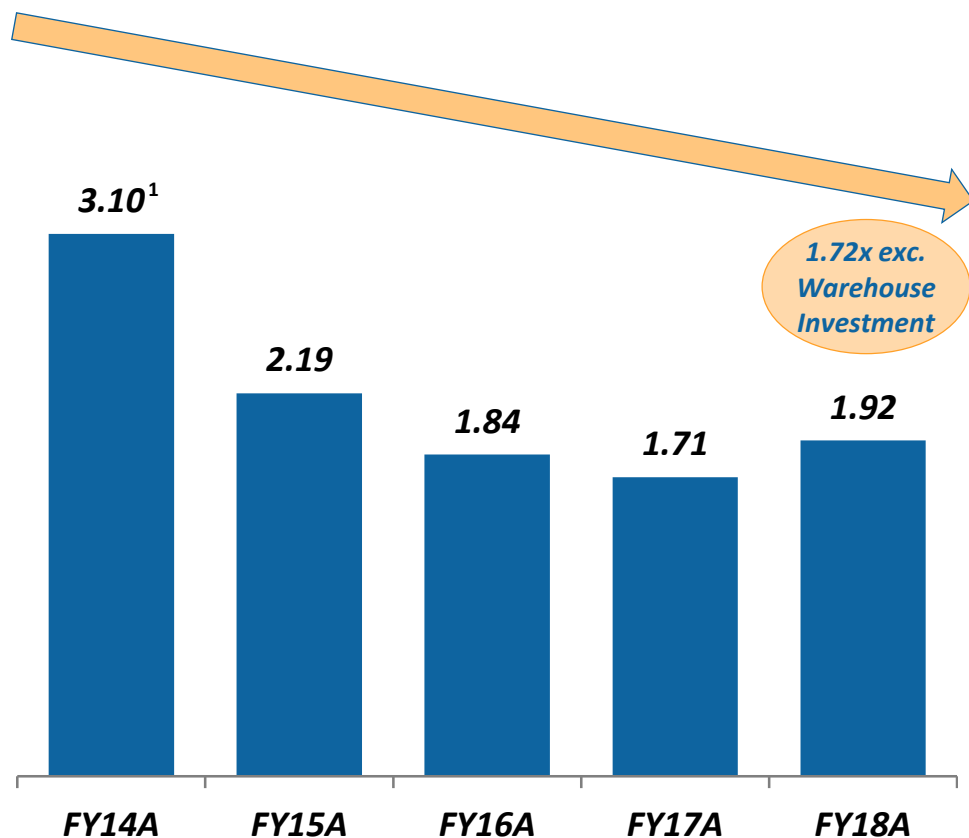


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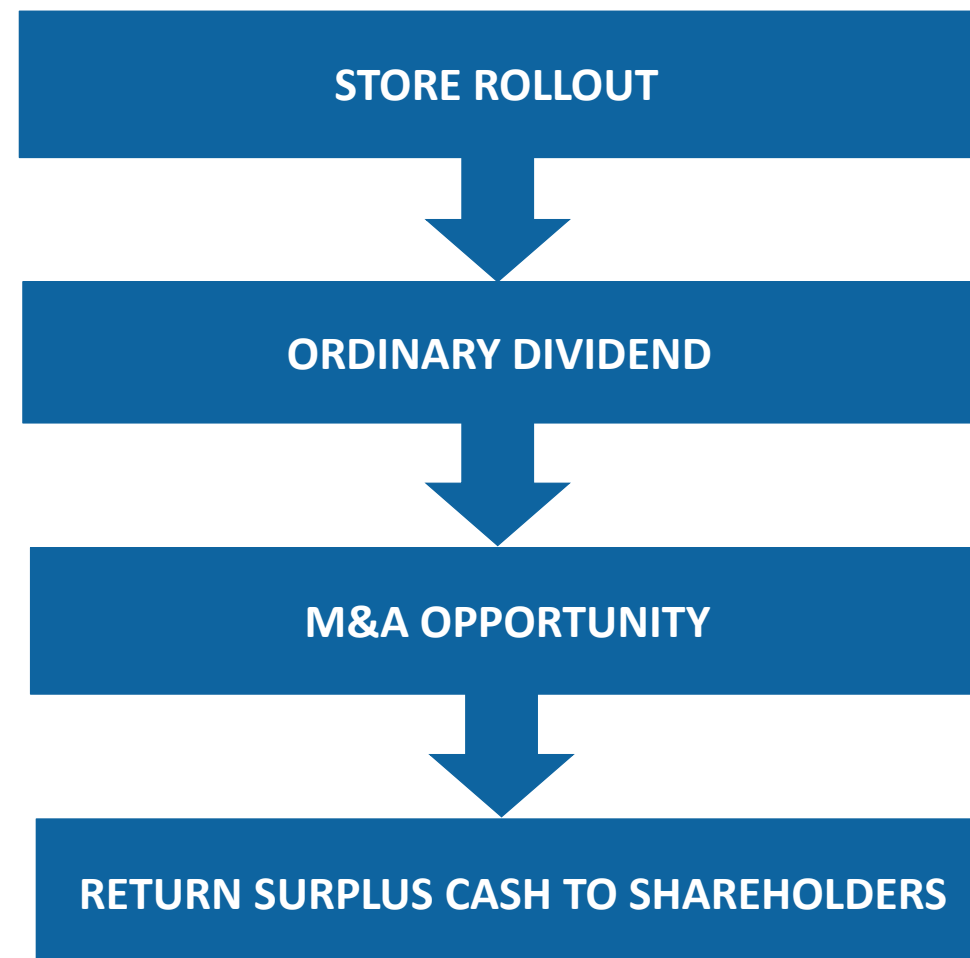
# Capital Structure

## DE-LEVERAGING PROFILE



Adjusting for the capex spend on the new Southern warehouse the pro-forma leverage would be 1.72x

## CAPITAL ALLOCATION FRAMEWORK



# Outlook for FY19

- UK consumers increasingly attracted to discount formats and B&M's format resonating strongly
- Continued market share gain through continued store roll out and industry leading LFL's
- Healthy pipeline of 50 gross openings for FY19 at B&M, 15-20 at Heron and 10 at Jawoll
- Pleasing start to Spring / Summer at B&M and Jawoll, adjusting for Easter falling in week 53 FY18
- A year of change and decisive steps in Germany
- Remain open to further bolt-on M&A in Europe to build scale
- Well placed for continued strong profit growth and cash generation

