



b&m

**B&M European Value Retail
Interim Results Presentation
26 weeks to 29th September 2018**

Interim FY19 Group Highlights

- Group revenues increased by 16.1% to £1,563.0m
 - B&M UK revenues +7.1% including H1 LFL revenues +0.9% excluding the non-comparable Easter week and 0.0% otherwise
 - 22 gross new B&M store openings in the UK and a net 15
 - 9 gross new store openings at Heron and a net 4
 - 2 new store openings at Jawoll and a net 2
- B&M UK adjusted EBITDA growth of +12.1%
- Group adjusted EBITDA increased by 13.5% to £131.8m
- Adjusted diluted EPS 8.0p, an increase of 14.3%
- Acquisition of a 95 store French value retailer, Babou in October 2018
- Net cashflow from operations £67.0m, an increase of 51.5%
- Interim dividend 2.7p, an increase of 12.5%



Paul McDonald

Chief Financial Officer



Summary Profit and Loss

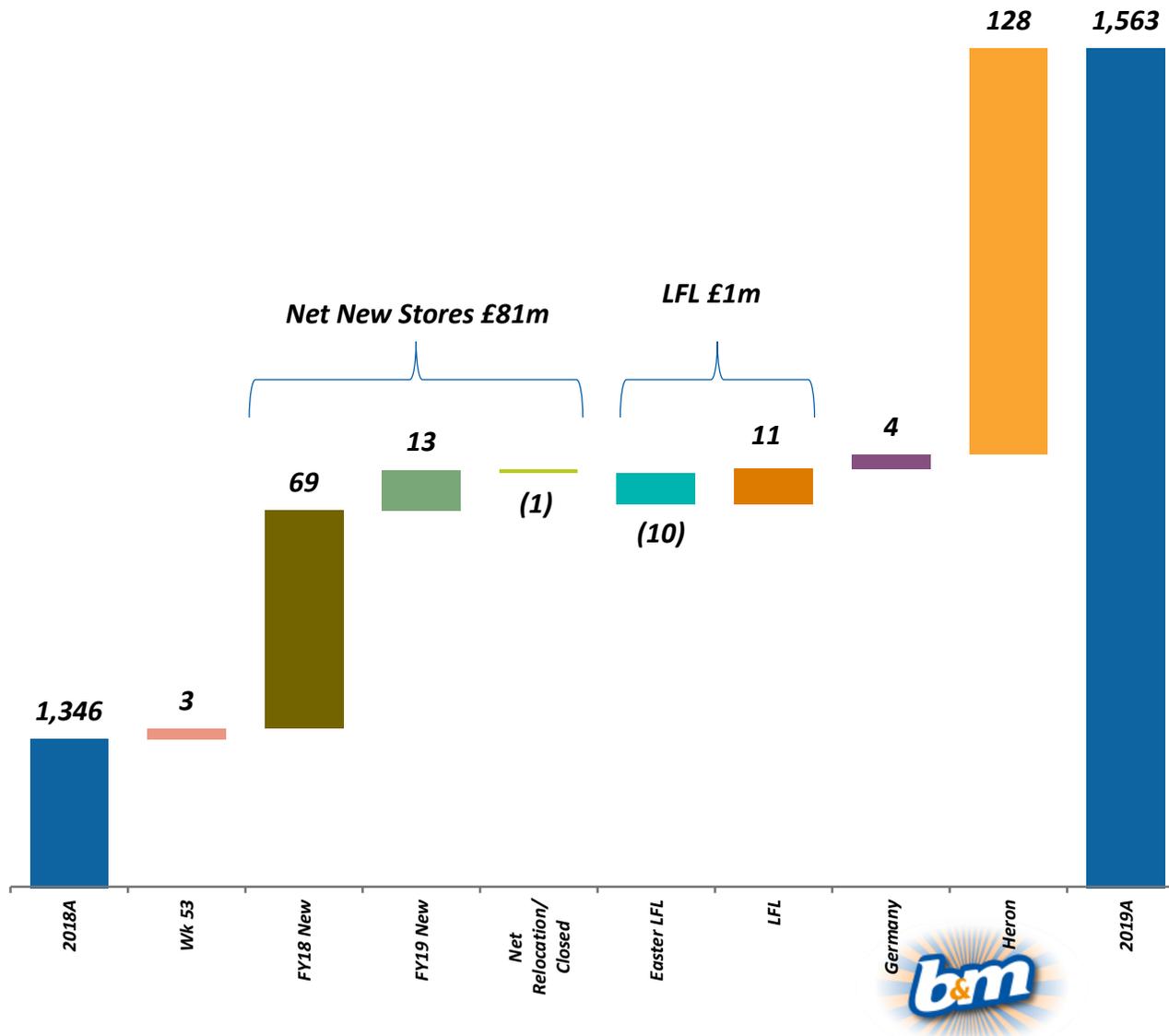
<i>£ millions,</i>	<i>2018A H1</i>	<i>2019A H1</i>	<i>%</i>
Group Stores	893	948	+6.2%
Revenues	1,346.4	1,563.0	+16.1%
Gross Profit	455.9	529.7	+16.2%
%	33.9%	33.9%	3bps
Operating Costs	(339.8)	(397.9)	+17.1%
Adjusted EBITDA	116.1	131.8	+13.5%
%	8.6%	8.4%	(19)bps
Depreciation and Amortisation	(15.9)	(22.0)	+36.9%
Interest	(10.5)	(11.2)	+7.0%
Adjusted Profit Before Tax	89.7	98.8	+10.2%
Exceptional Income / (Costs)	(1.9)	17.3	n.m.
Exceptional Interest Costs	(0.9)	(1.1)	+19.2%
Profit / (Loss) Before Tax	86.8	115.0	+32.5%
Adjusted Diluted Earnings / (Loss) per Share (p)	7.0p	8.0p	+14.3%
Interim Dividend per Share (p)	2.4p	2.7p	+12.5%



Group Revenue Bridge

£ millions,

H1 REVENUE FY18A-FY19A

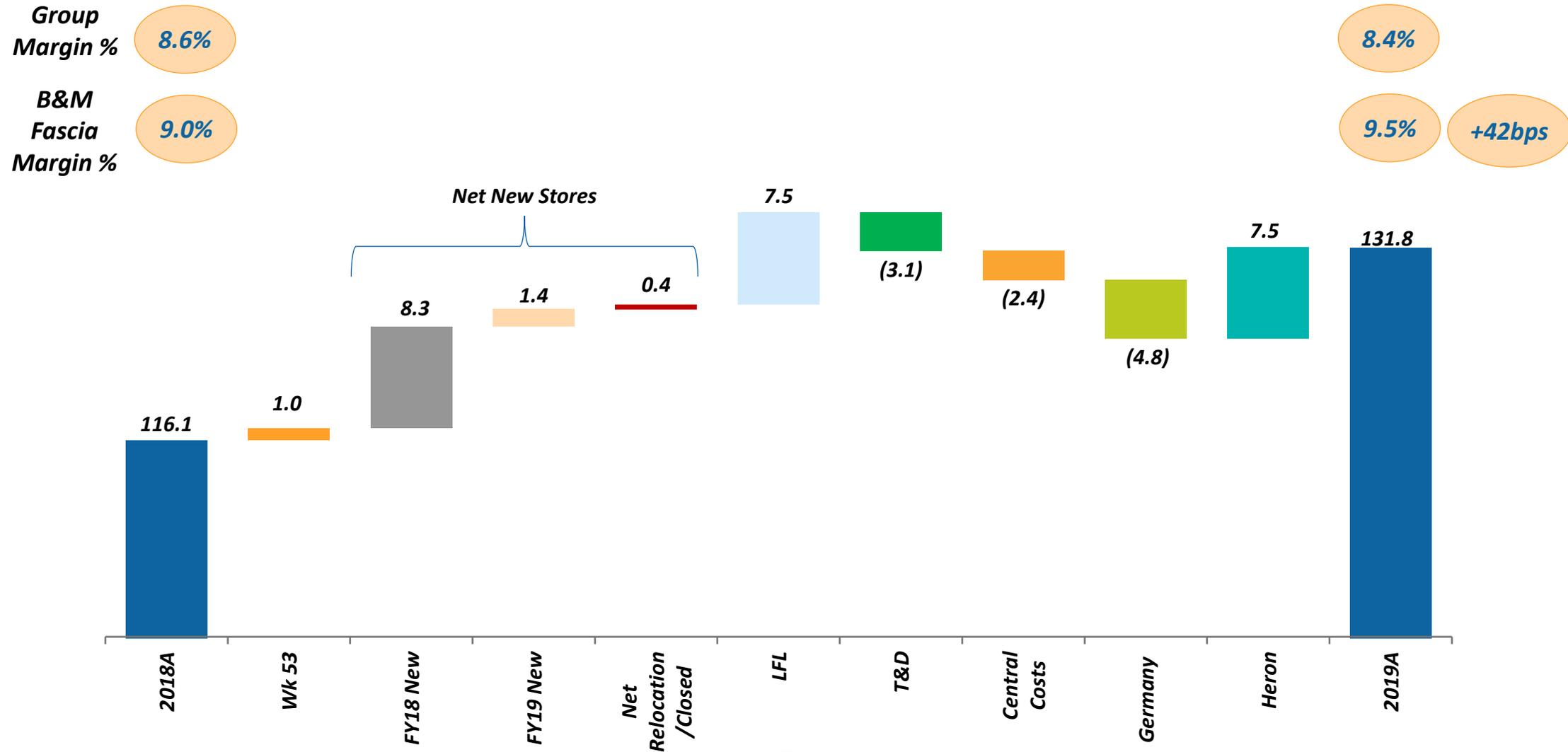


- +16.1% overall Group revenue growth
- B&M UK growth + 7.1%
 - Annualisation of FY18 new store openings
 - 22 new stores opened in the UK including 5 relocations. Closed 2 stores.
 - UK LFL +0.0%, +0.9% excluding Easter impact
- Heron revenues:
 - £121m in H1 FY19 Non-comparable period
 - Positive LFL growth and 4 net new stores
- Germany delivered +4.1% revenue growth with a modest positive LFL

Continued UK EBITDA Growth

£ millions,

H1 ADJUSTED EBITDA BRIDGE FY18A-FY19A



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



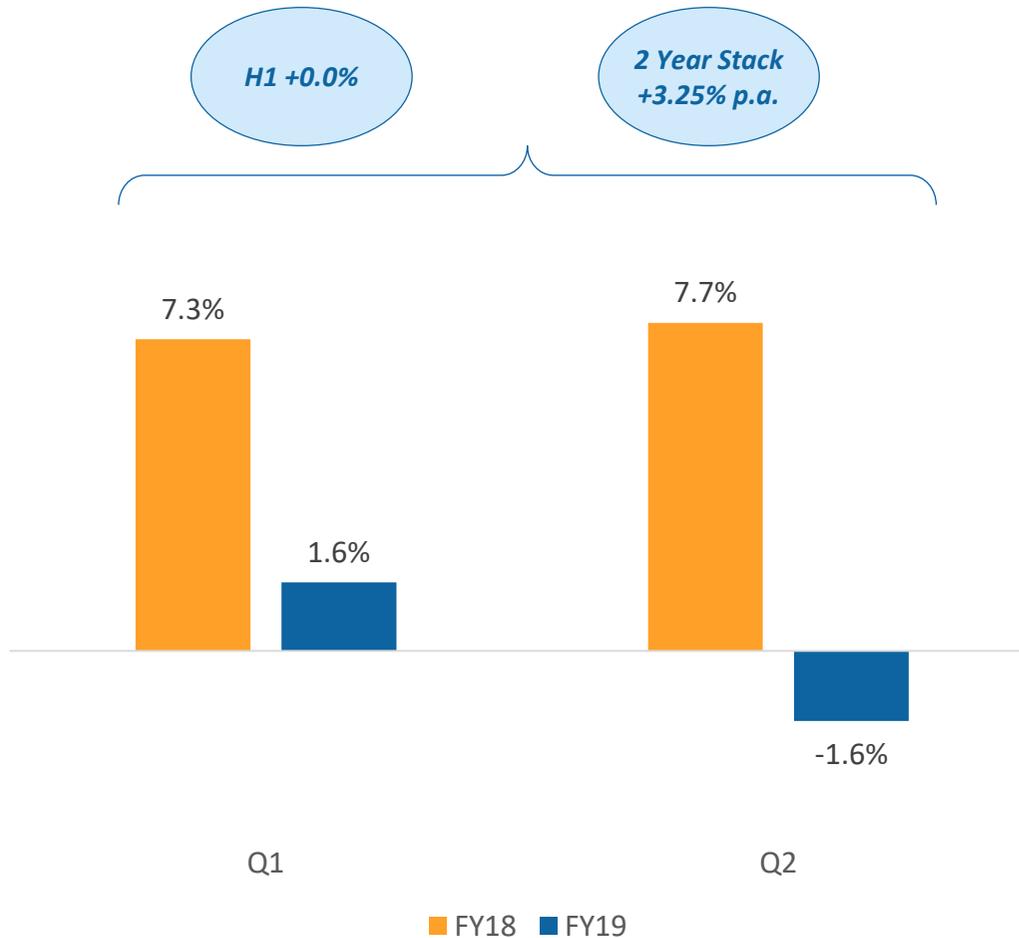
B&M Fascia LFL Sales



H1 FY19A

H1 +0.0%

2 Year Stack
+3.25% p.a.



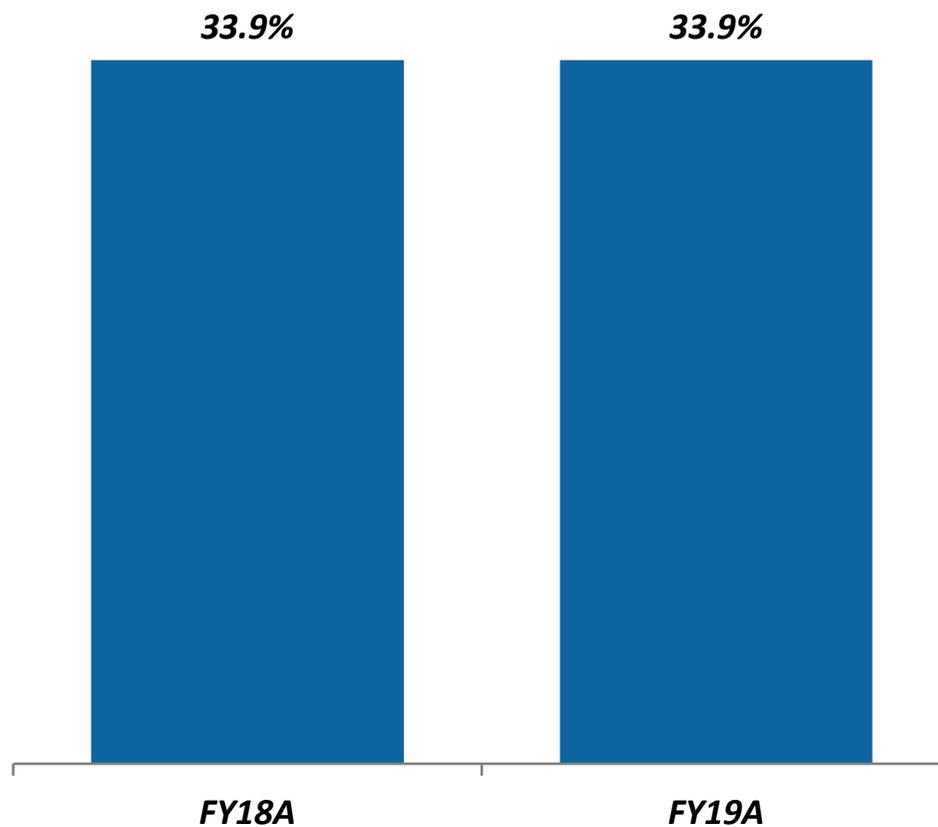
COMMENTARY

- H1 LFL of +0.0% at the core B&M fascia, despite industry leading tough comparables from the previous year
- Excluding the non-comparable Easter week H1 LFL +0.9%
- Timing of gardening and outdoor product sales impacting the Q2 performance:
 - Stock sold through by Mid July, practically no clearance sale in August
 - We brought forward Autumn Winter products to fill empty shelves
 - Less sale activity was beneficial to the gross margin
- Grocery / FMCG categories continue to perform well
- Steady start to Q3 despite tough October comparables



Group Gross Margin Performance

GROSS MARGIN (%)



KEY HIGHLIGHTS

- B&M UK fascia margins were 53bps higher:
 - Impact of reduced clearance activity in Q2 following strong Q1 sell through on seasonal products
 - Despite headwind of continued shift in the mix towards grocery/FMCG ranges, 26bps. Consumers continue to be drawn to value on everyday items as we maintain our price gap against Supermarkets
- Heron impacted overall margin by 16bps as expected, due to the lower margin food offer versus B&M's non-grocery
- Jawoll margins have worsened by 292bps, largely relating to accelerated clearance activity on discontinued product.
- Positive outlook for FY19, currently hedged FX to Sept-19, but outturn will depend on success of seasonal ranges and product mix between Grocery and Non-Grocery categories, as well as cost of ongoing clearance sales at Jawoll.



Group Operating Costs

<i>£ millions,</i>	<i>H1 2018</i>	<i>H1 2019A</i>
<i>Store Costs</i>	226.9	240.5
<i>Transport and Distribution</i>	43.3	49.5
<i>Central Costs</i>	21.9	23.6
<i>New Store Pre-Opening</i>	1.7	2.5
Total B&M	293.8	316.1
<i>Germany</i>	33.3	36.4
<i>Heron</i>	12.8	45.4
Total Group	339.8	397.9
<i>Depreciation</i>	15.9	22.0

% of Revenue

<i>Store Costs</i>	19.0%	18.8%
<i>Transport and Distribution</i>	3.6%	3.9%
<i>Central Costs</i>	1.8%	1.8%
<i>New Store Pre-Opening</i>	0.1%	0.2%
Total B&M	24.6%	24.7%
<i>Germany %</i>	31.1%	32.7%
<i>Heron %</i>	26.9%	25.9%
<i>Depreciation %</i>	1.2%	1.4%

KEY HIGHLIGHTS

- B&M operating costs as a % of sales are 11bps higher than last year
 - impact of living wage mitigated
 - 25bps worsening in T&D performance, inflationary pressure of fuel and wages
- Germany, operating costs increased to £36.4m, 159bps adverse to last year
- Heron, impact of full period of ownership, cost % 97bps lower, benefitting from operating leverage
- Depreciation, in line with expectations following Heron acquisition



Group Interest Expenses

£ millions,

	FY18A	FY19A
<i>Interest</i>	9.8	10.5
<i>Amortised Fees</i>	0.7	0.7
Total	10.5	11.2
<hr/>		
<i>Put/Call Option</i>	0.7	0.5
<i>Heron Deferred Consideration</i>	0.2	0.6
Total	11.4	12.3

KEY HIGHLIGHTS

- Interest and amortised fees relating to the bank debt
- We expect full year Interest charge in FY19 of c. £23m including fee amortisation following the additional loan facility to finance Babou acquisition
- £0.6m of non-cash interest relating to the accounting treatment of the Heron deferred consideration, an annualised £1.2m

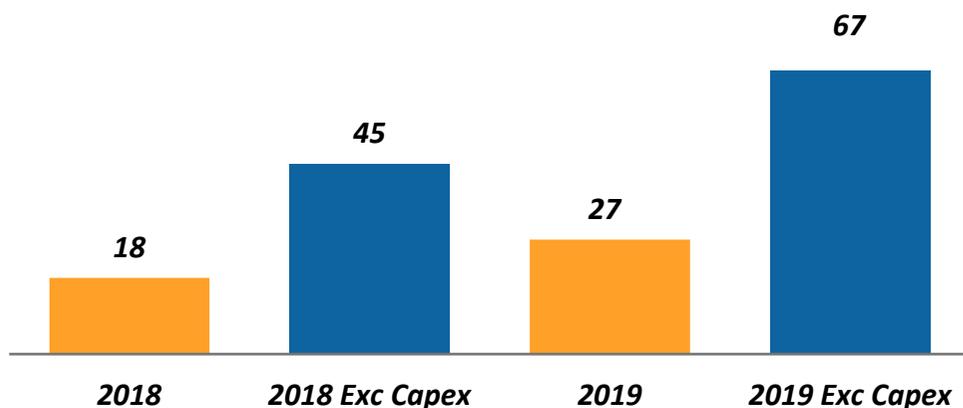


Strong Cash Flow Conversion

£ millions,

OPERATING CASH FLOW

Tighter Working Capital Discipline offsetting Week 53 working capital timing differences



Net debt / Adjusted EBITDA of 2.15x Pro-Forma for Babou4 acquisition

CASH FLOW STATEMENT

£m	FY18A	FY19A
Adjusted EBITDA	116.1	131.8
Change in Working Capital	(71.1)	(64.8)
New Store Capex	(12.9)	(14.6)
Infrastructure Capex	(7.9)	(2.9)
Maintenance Capex	(6.2)	(12.8)
Freeholds	(0.0)	(9.7)
Capex	(27.0)	(40.1)
Operating Cash Flow	18.0	26.9
Tax	(22.2)	(21.5)
Acquisition ₂	(106.4)	(0.0)
Other ₃	0.4	0.0
Operating and Investing Cash Flow	(110.2)	5.3
Net Debt / Adjusted EBITDA₂	2.18x	2.00x

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

Note 2: Acquisition of Heron in FY18 and the net debt / adjusted EBITDA was a pro-forma figure adjusted for the Heron acquisition

Note 3: Other includes interest and dividends receivable

Note 4: Pro-forma includes €93m of acquisition consideration and €24.7m of EBITDA

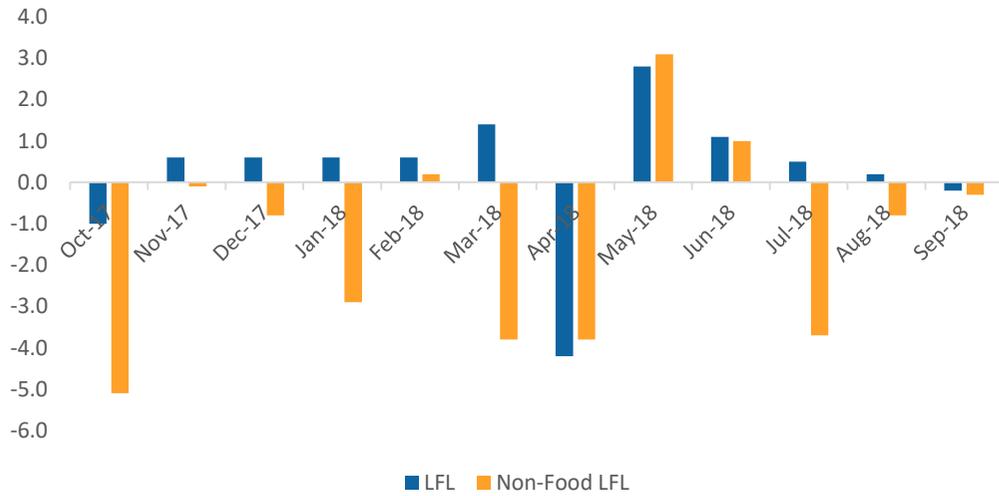


Simon Arora

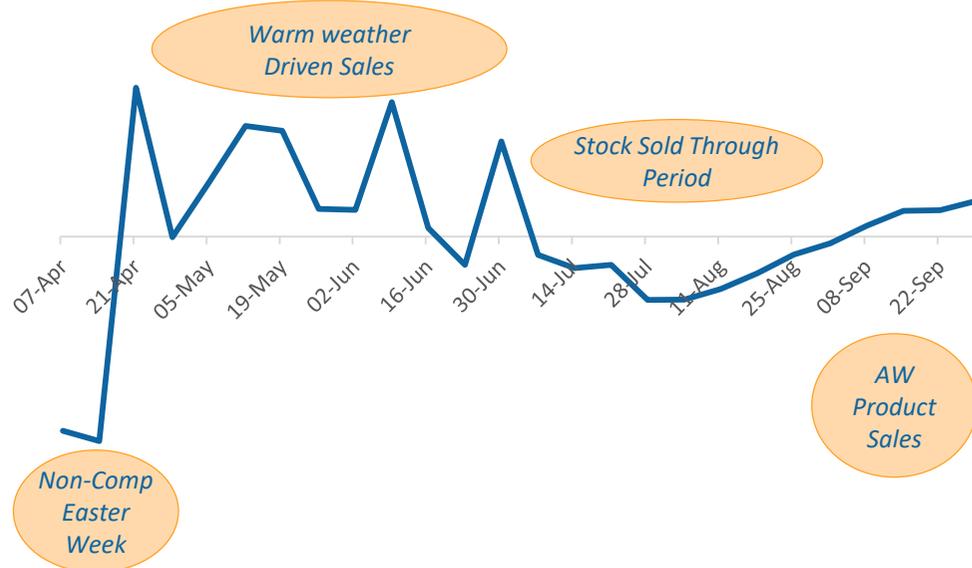
Chief Executive Officer



LTM British Retail Consortium LFL



Weekly LFL at B&M





Expansion in both Infill and New Regions

FY19 OPENINGS

591 STORES AS AT SEPTEMBER 2019

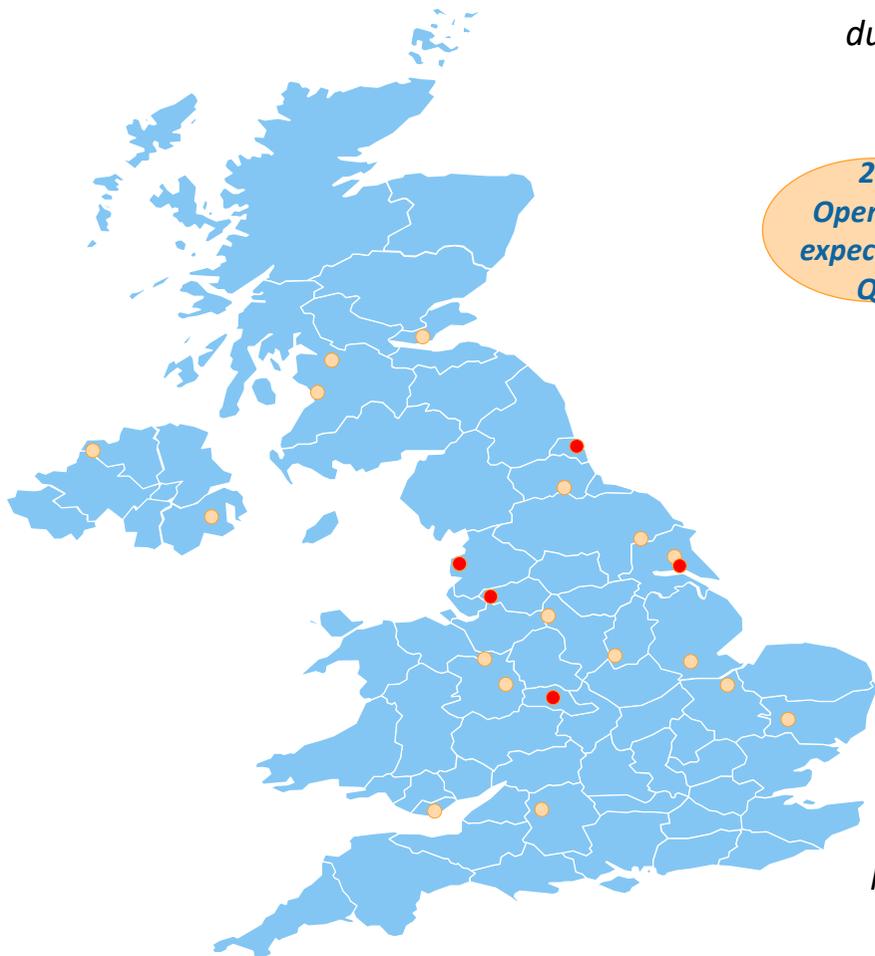
22 gross openings (net 15 stores due to 5 relocations and 2 store closures)

20 Openings expected in Q3

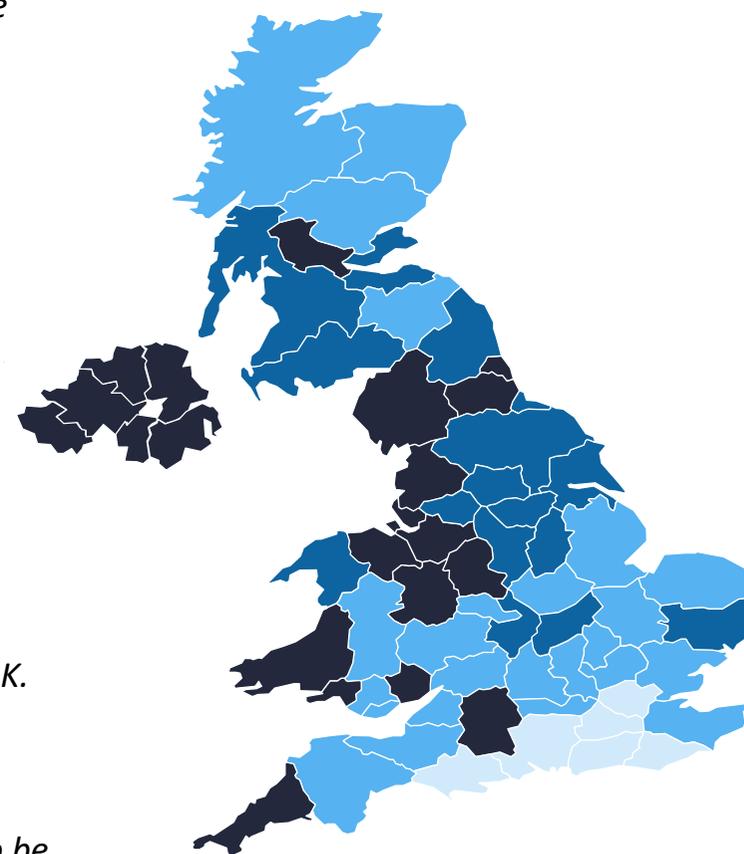
Approx 58 gross in the Full Year

There has been a flurry of opportunities available in U.K. property market

New store returns continue to be attractive

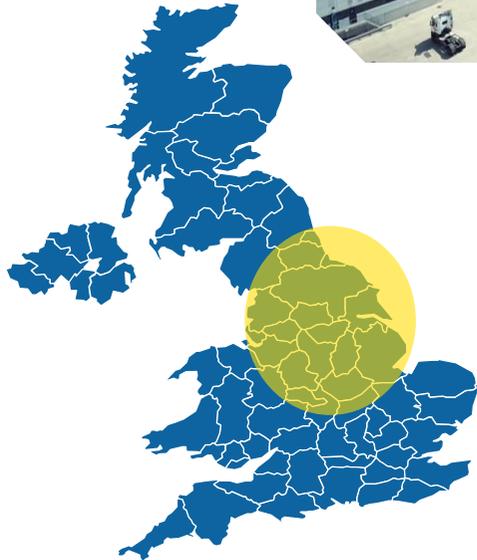


- FY19 New Stores
- Relocations



STORES PER 100,000 POPULATION





HIGHLIGHTS

- Heron continues to trade well on an LFL basis:-
 - ambient grocery is the main product category driver
 - driven principally by increases in basket value

- We opened 9 gross stores, net 4 as a result of 3 relocations and 2 closures in H1.

- We will open 20 net new stores in FY19

- Future Developments
 - Trialling a “B&M Express” Fascia re-brand in 27 stores
 - Refresh of Frozen ranges over the next 9 months
 - Introduction of Christmas “Party Fayre Ranges”



New Warehouse Investment in the UK



BUILD HAS COMMENCED



KEY HIGHLIGHTS

- Building work has commenced on site in Bedford for 1 million sq. ft distribution centre
- Anticipate handover in May-19 followed by the internal fit out for 6-9 months
- Planned soft or phased opening in Jan-20
- We propose to 'Sale and Leaseback' the facility in H1 of FY20 immediately upon completion, to retain our 'capital light' model and recoup the outlay in full
- Total capex outlay of c. £ 120m over the course of the project



International Expansion - Germany



SUMMARY

- Delivered revenue growth of 4.1% including a return to LFL sales growth
- Accelerating the pace of change to “B&M” suppliers in Asia
 - new management team bedded in
 - clearance activity is progressing well
 - general merchandise product range will be c. 35% from B&M supply chain by December 2018
 - a new trial store in the B&M fascia to be opened in November 2018
- The clearance activity on discontinued slow selling products has impacted margins and is the main factor in EBITDA under performance as expected
- We will provide detailed colour on performance of B&M ranges in January trading statement





b&m

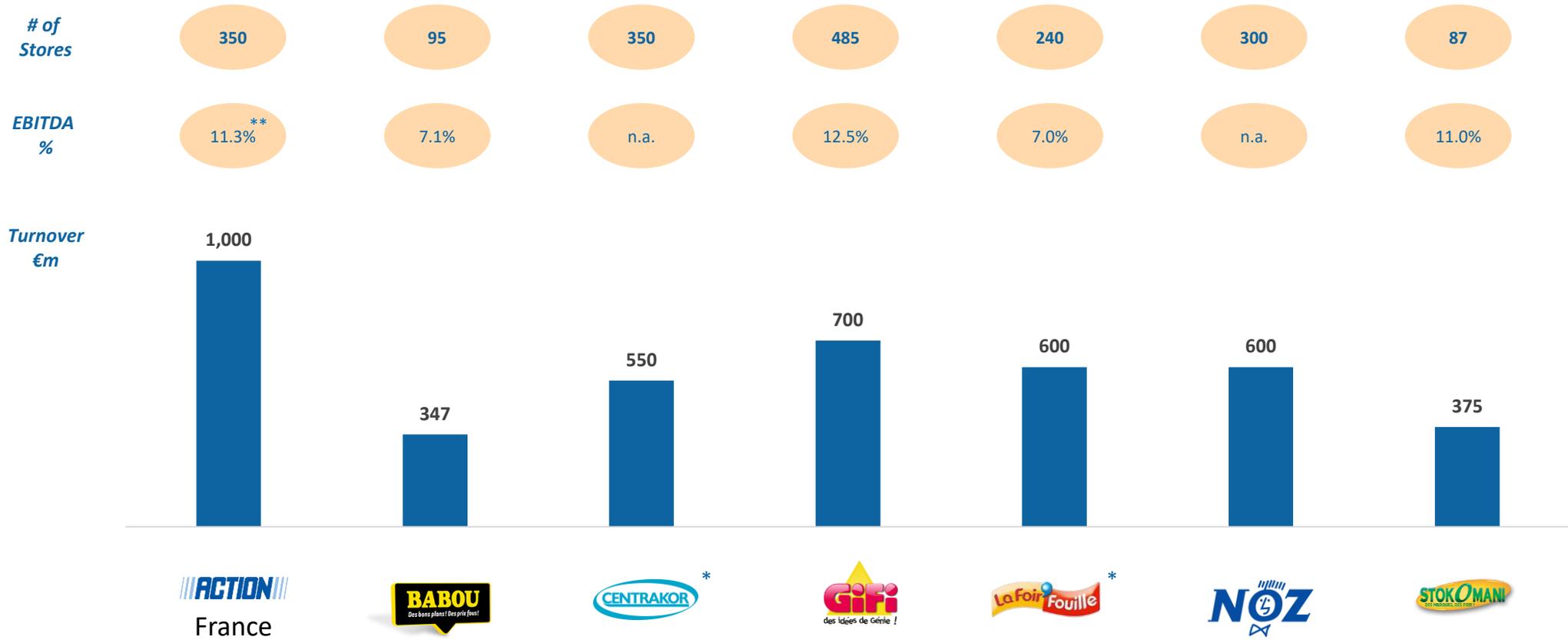
BABOU
Des bons plans! Des prix fous!

Acquisition of Babou

Babou in Context



- French Market is the second largest in Continental Europe, behind Germany.
- Variety retailing has been a stable market with Action's arrival 5 years ago being the key exception. Action's rapid success demonstrates that there is demand for sharper price proposition on the non-food segment.
- Some key competitors enjoy healthy EBITDA margins.



* Franchised businesses – extrapolated sales and margin estimate is inclusive of franchisee profits

** Group EBITDA margin shown as country level unavailable



Babou Distribution & Store Network



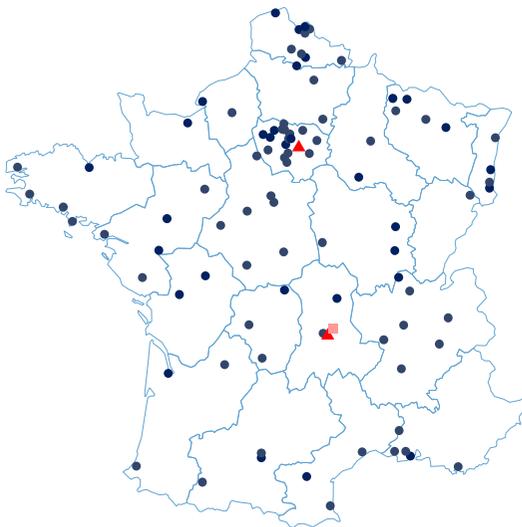
Babou stores are located out of town, 2,700m² average sales area

- Average store revenues of €3.7m pa
- 51 stores are adjacent to hypermarkets, 6 standalone locations and remainder on retail parks.
- All stores held leasehold on conventional 6+3 years leases
- Stores generally well located and of consistent size

Stores are managed by independent Mandated Managers, focusing on store operations

Head-Office & Distribution

- Total 80 employees at Head-Office, excluding Warehouse and Transport
- Distribution Centre of 50,000 m² + Offices
- Warehouse & Transport functions handles 70% of volume; balance is direct to store from vendors
- Dedicated 3PL Operator acquired as part of the transaction



- Store
- ▲ Head-Office in Cournon & MM offices in Paris
- DC in Cournon



1

Background & History

- *Babou was founded in 1978 by the Kleboth family and was an early mover in French non-food discount retailing.*
- *Network of 95 stores across France, with a HQ and Distribution centre near Clermont-Ferrand in central France*
- *Founder's family were controlling shareholders and have now retired from the business. Discussions with B&M commenced Summer 2016.*

2

Payment

- *Consideration of €91m paid at completion for 100% of the share capital of Babou*
- *Consideration of €2.9m paid at completion for 100% of the Share Capital of the dedicated 3PL Warehousing and Transport provider*
- *For 12 months to Jan-18, approximately €24.7m EBITDA of acquired entities, but underlying EBITDA of c. €17m*
- *Transaction funded wholly by a loan facility for upto 2 years*

3

Management

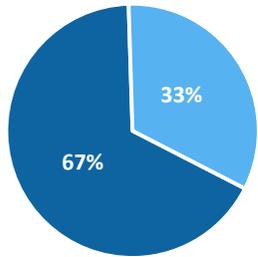
- *Cedric Mahieu, ex-Trading Director of La Foir Fouille, appointed Chief Executive with immediate effect*
- *B&M Integration team ready to support and over 3,000 SKU's ready to order from B&M suppliers in Asia*



Babou Customer Profile and Product Categories

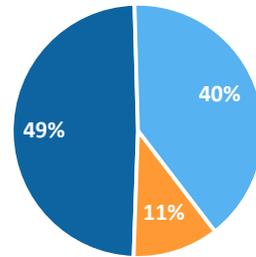


Gender



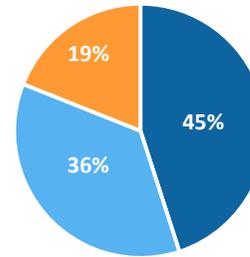
■ Women ■ Men

Income Profile



■ Lower ■ Middle ■ Inactive

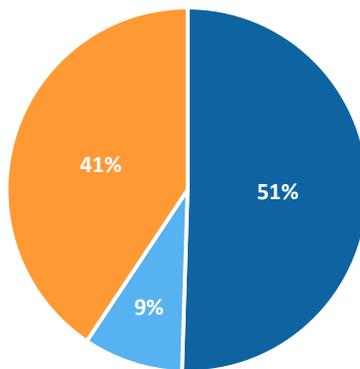
Age



■ 13-34yo ■ 35-49yo ■ 50y and more

- Average 360k transactions per week
- €22 average basket (inc VAT)
- 66% of items sold below €5

Product Categories



■ General Merchandise ■ Seasonal General Merchandise ■ Clothing & Footwear

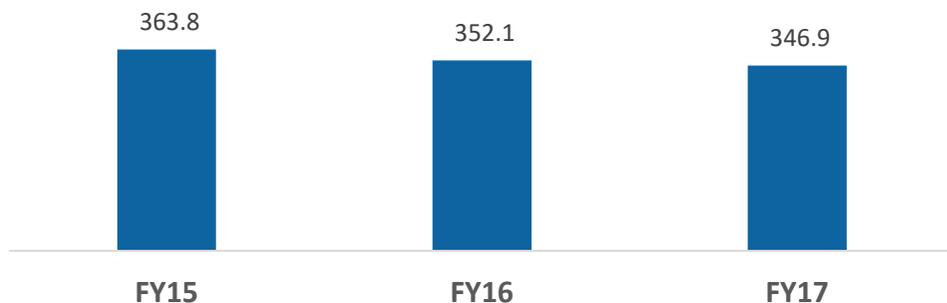
- 20% sourced from Asia
- Clothing & Apparel has been in 5 year LFL decline, and is primary factor why EBITDA has declined from €53.4m in 2010.
- Our strategy is to reduce reliance on Clothing and Footwear and to improve General Merchandise and Seasonal Categories



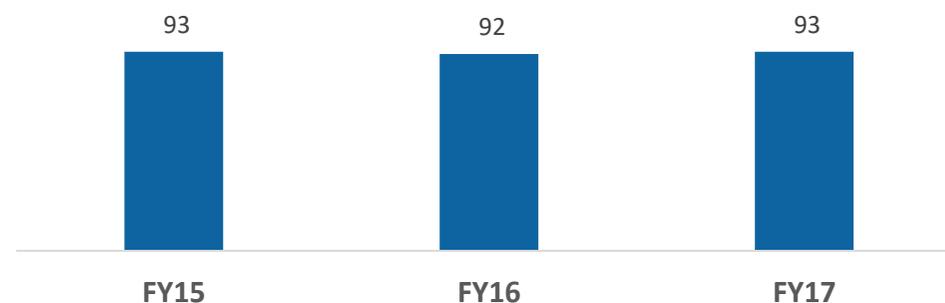
Financial Profile



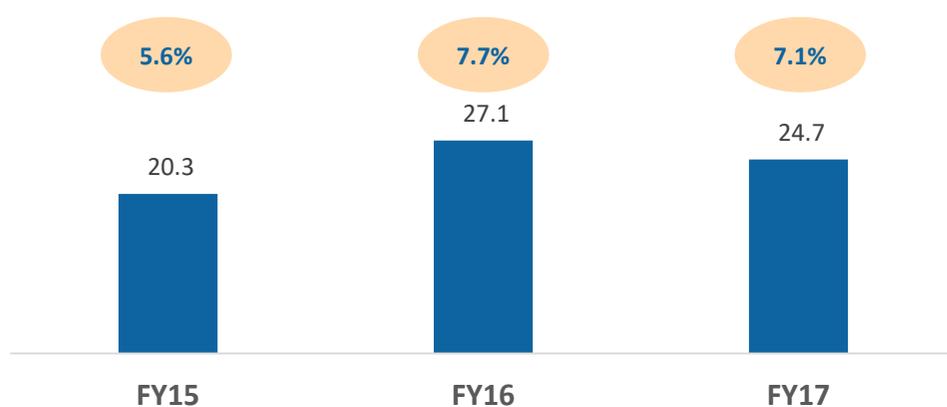
REVENUES, €M



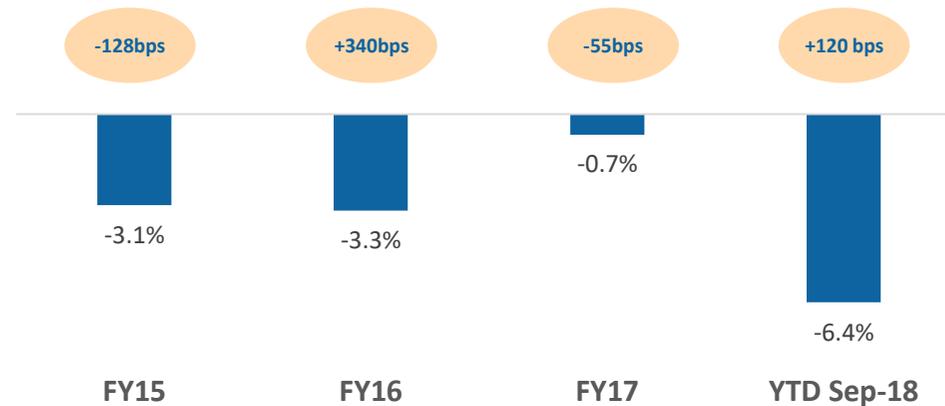
STORE #’S, END OF PERIOD



EBITDA, €M



LFL TRADING AND GROSS MARGIN CHANGE



Note: Babou’s Financial Year-End is 31st January. FY17 is the year ended January 2018



% of Revenues, or y-o-y bps change

Integration Plan being Implemented



FOCUS ON RANGE STRENGTHENING

- Significant opportunity to improve the Babou offer for customers and drive growth, via targeted actions:
 - Increased direct sourcing
 - Sharpening price positioning
 - More space to Seasonal ranges
 - Right-sizing the clothing range, focussing on staples and basics
 - Use of FMCG to drive traffic

DEPLOYING B&M SCALE & BEST PRACTICE

- Leverage B&M supplier base and buying power
- Operational efficiencies and disciplines, such as auto-replenishment
- Bilingual packaging and collaborative Buying in non-grocery for Germany and France



NEW CEO IN PLACE

- Incumbent CEO resigned at completion and has been replaced by Cédric Mahieu.
- Cédric Mahieu was previously a buying director at La Foir'Fouille, and before then led non-food imports from Asia at Auchan.
- Babou's Management team otherwise stays in place, strengthened by new ExCo appointments, and will be supported by a UK integration team.



Outlook for FY19

UK

- Stable trading environment at B&M
- Heron performing in line with expectations, despite annualising early wins
- New store programme progressing well with gross openings of 58 and 20 for B&M and Heron respectively in FY19

Germany

- Good progress in clearing discontinued slow-selling product, albeit at a short term cost to gross margin
- Initial signs are that B&M sourced product has been well received
- Excited by prospects for Gardening 2019 range, which has been majority sourced using B&M supply chain

France

- Delighted that acquisition has been transacted following a three year courtship
- Babou offers us a relatively low cost platform in France, providing us with central infrastructure and over 2.5 million sq ft of retail selling space
- Management team are ready to move quickly and decisively to improve the product range and move closer to B&M model



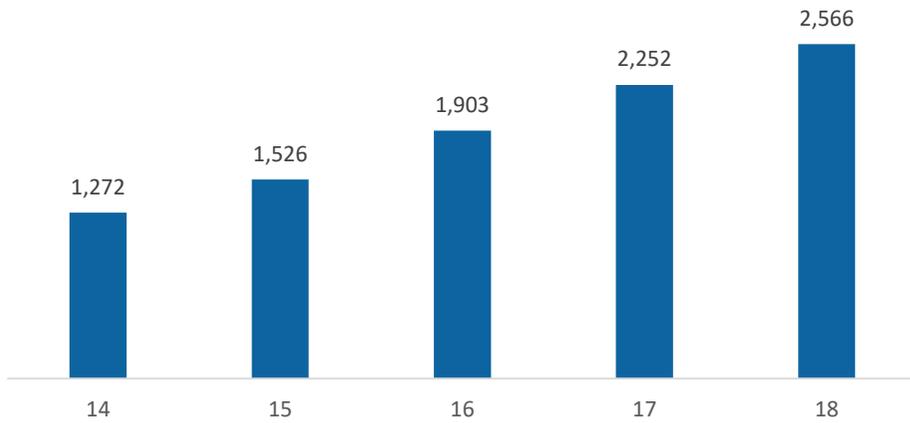
Appendix



Group Sales

B&M SALES

£ millions



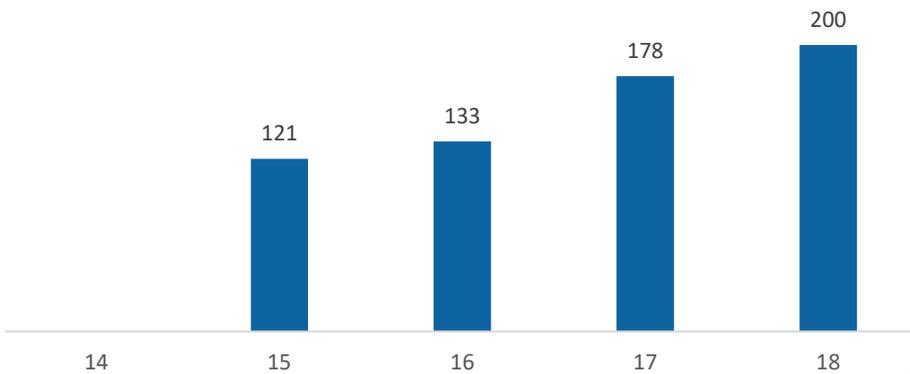
HERON SALES

£ millions



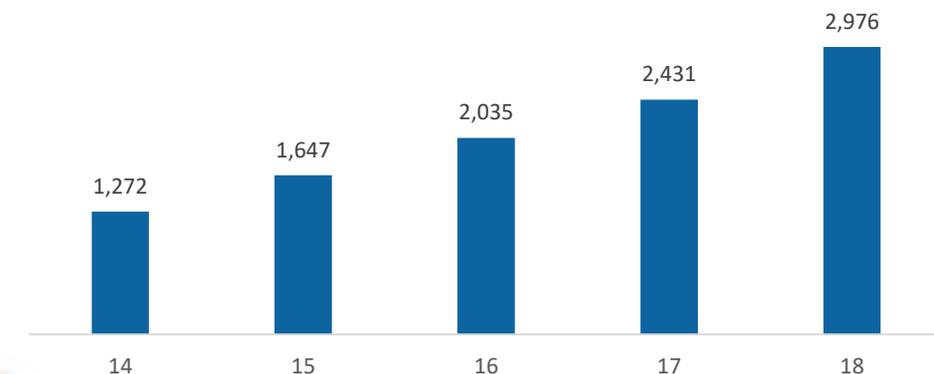
JAWOLL SALES

£ millions



GROUP SALES

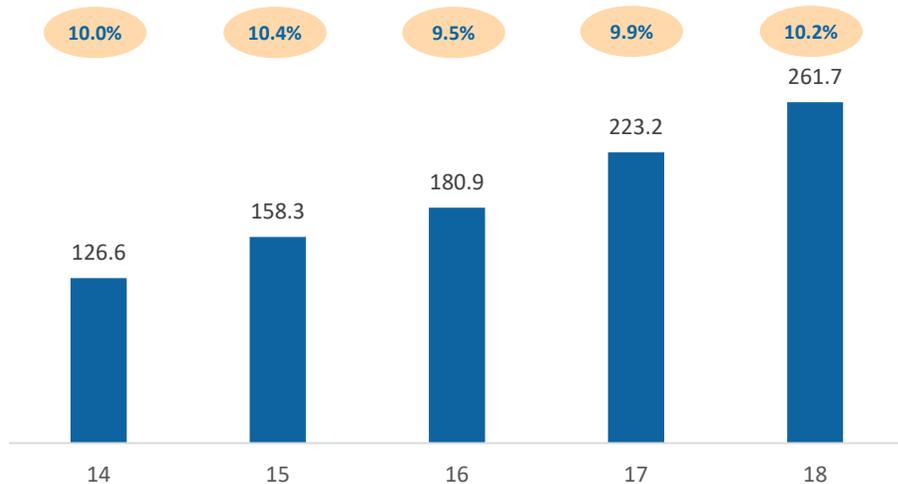
£ millions



Group EBITDA

B&M EBITDA

£ millions



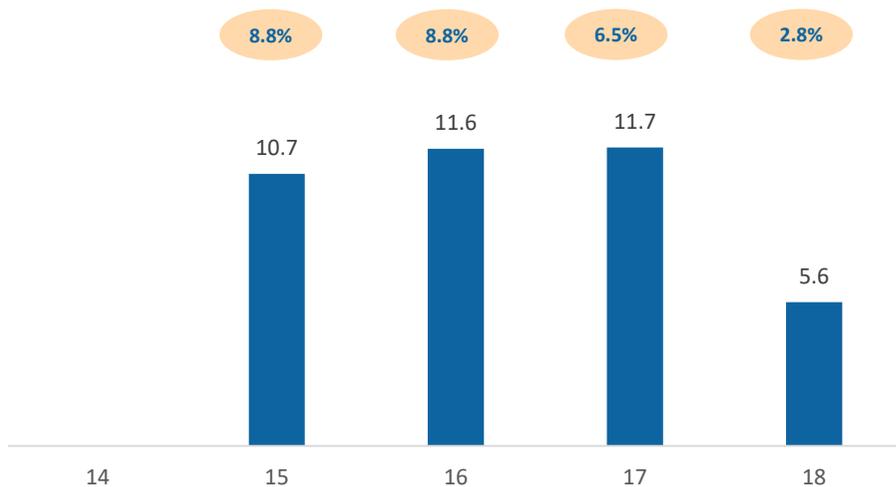
HERON EBITDA

£ millions



JAWOLL EBITDA

£ millions



GROUP EBITDA

£ millions

