



*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

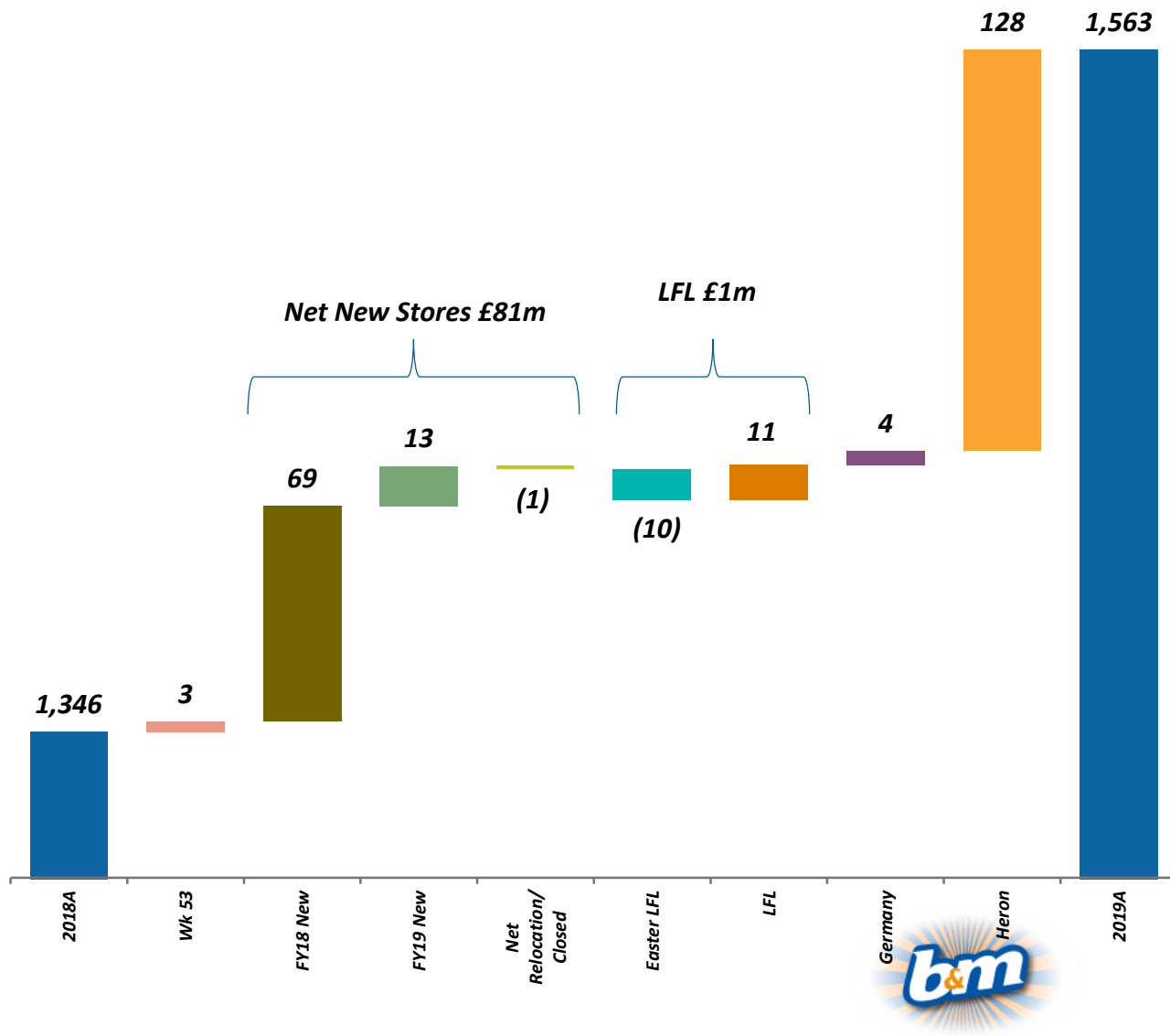
<i>£ millions,</i>	<i>2018A H1</i>	<i>2019A H1</i>	<i>%</i>
Group Stores	893	948	+6.2%
Revenues	1,346.4	1,563.0	+16.1%
Gross Profit	455.9	529.7	+16.2%
%	33.9%	33.9%	3bps
Operating Costs	(339.8)	(397.9)	+17.1%
<b>Adjusted EBITDA</b>	<b>116.1</b>	<b>131.8</b>	<b>+13.5%</b>
%	8.6%	8.4%	(19)bps
Depreciation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

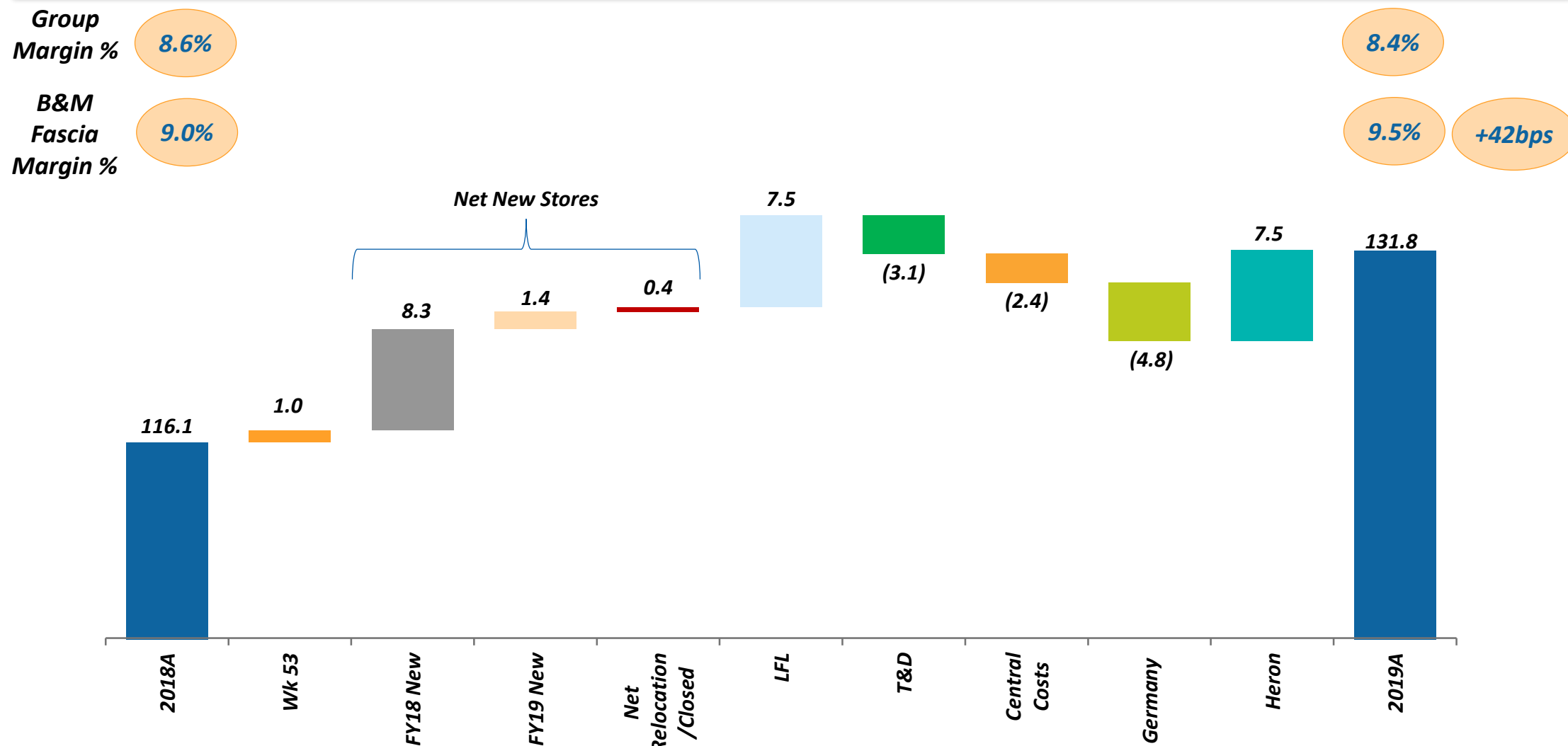




# Continued UK EBITDA Growth

£ millions,

## H1 ADJUSTED EBITDA BRIDGE FY18A-FY19A



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



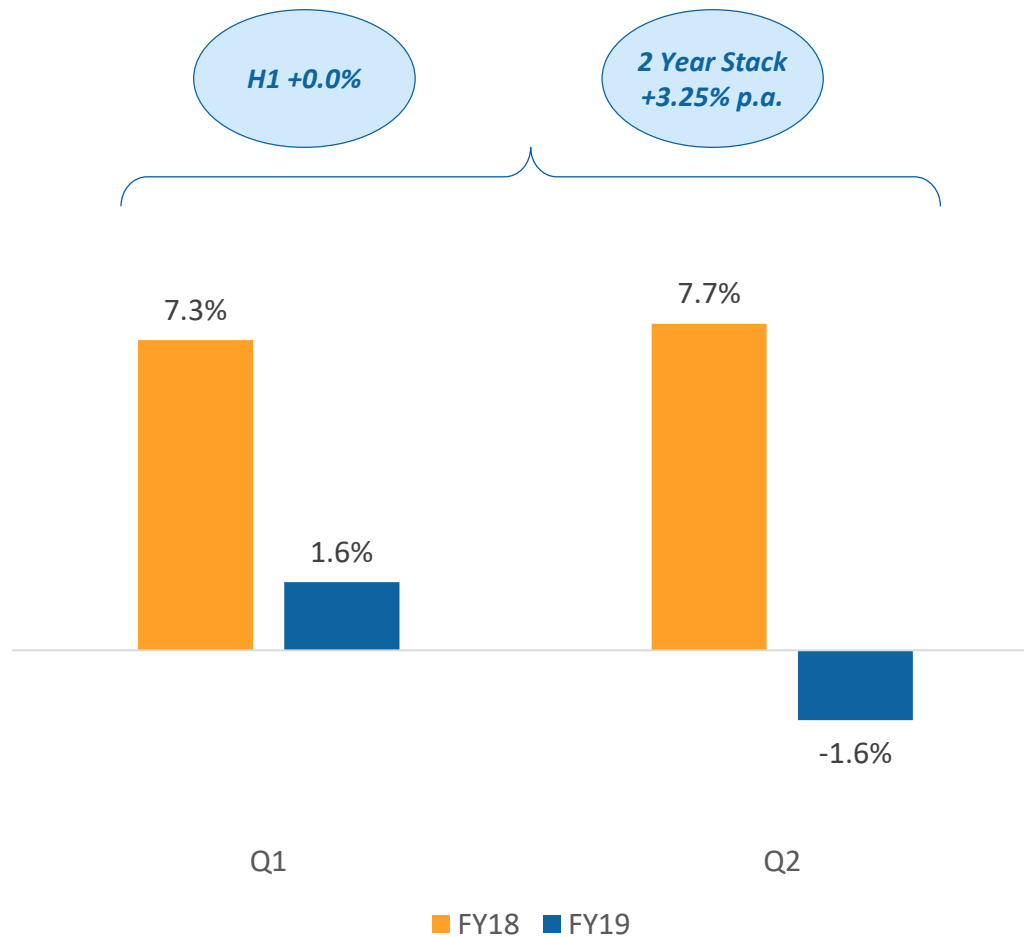
# B&M Fascia LFL Sales



## H1 FY19A

H1 +0.0%

2 Year Stack  
+3.25% p.a.



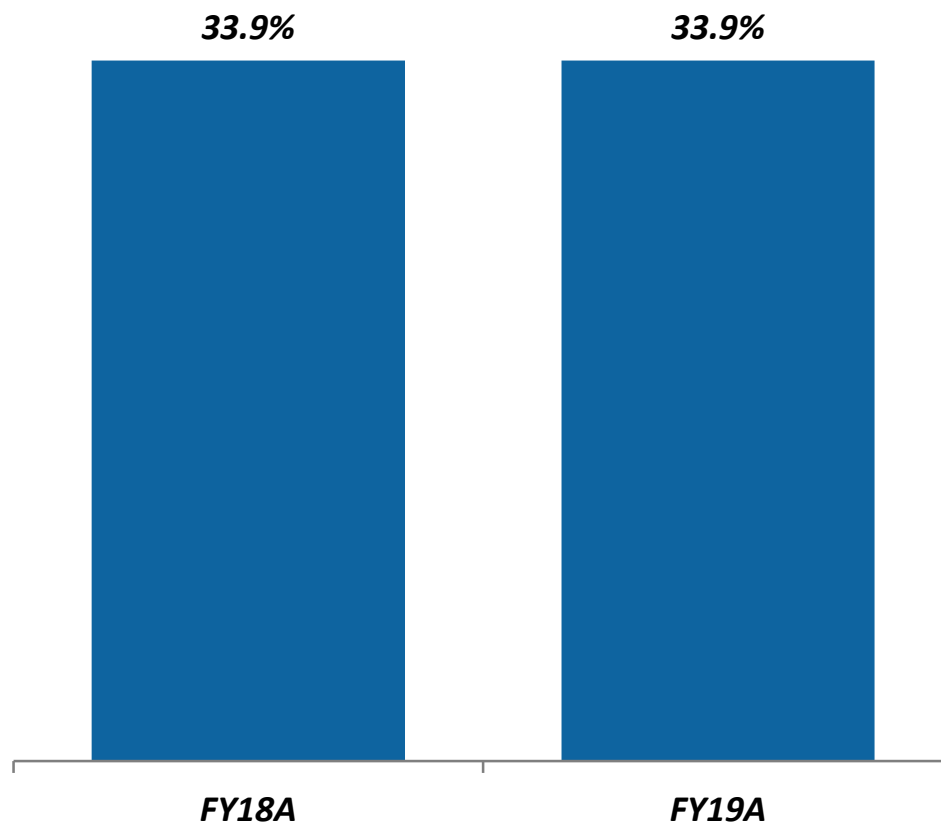
## COMMENTARY

- 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>
Store Costs	226.9	240.5
Transport and Distribution	43.3	49.5
Central Costs	21.9	23.6
New Store Pre-Opening	1.7	2.5
<b>Total B&amp;M</b>	<b>293.8</b>	<b>316.1</b>
Germany	33.3	36.4
Heron	12.8	45.4
<b>Total Group</b>	<b>339.8</b>	<b>397.9</b>
Depreciation	15.9	22.0

## % of Revenue

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

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

## KEY HIGHLIGHTS

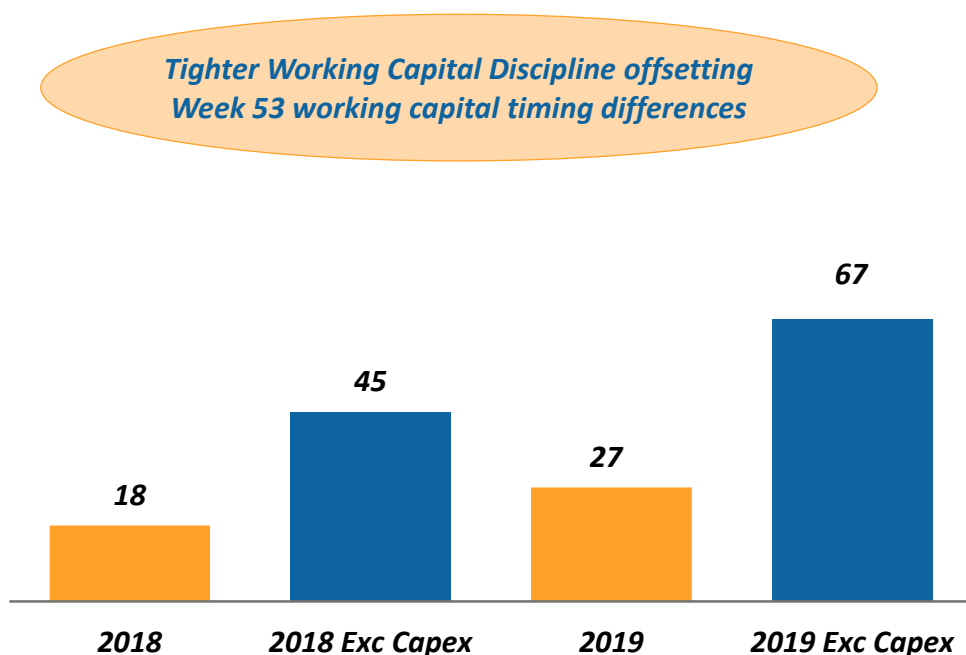
- Interest and amortised fees relating to the bank debt
- We expect full year Interest charge in FY19 of c. £23m including fee amortisation following the additional loan facility to finance Babou acquisition
- £0.6m of non-cash interest relating to the accounting treatment of the Heron deferred consideration,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



# Strong Cash Flow Conversion

£ millions,

## OPERATING CASH FLOW



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

## CASH FLOW STATEMENT

£m	FY18A	FY19A
<b>Adjusted EBITDA</b>	<b>116.1</b>	<b>131.8</b>
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)
<b>Operating Cash Flow</b>	<b>18.0</b>	<b>26.9</b>
Tax	(22.2)	(21.5)
Acquisition <sub>2</sub>	(106.4)	(0.0)
Other <sub>3</sub>	0.4	0.0
<b>Operating and Investing Cash Flow</b>	<b>(110.2)</b>	<b>5.3</b>
<b>Net Debt / Adjusted EBITDA<sub>2</sub></b>	<b>2.18x</b>	<b>2.00x</b>

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

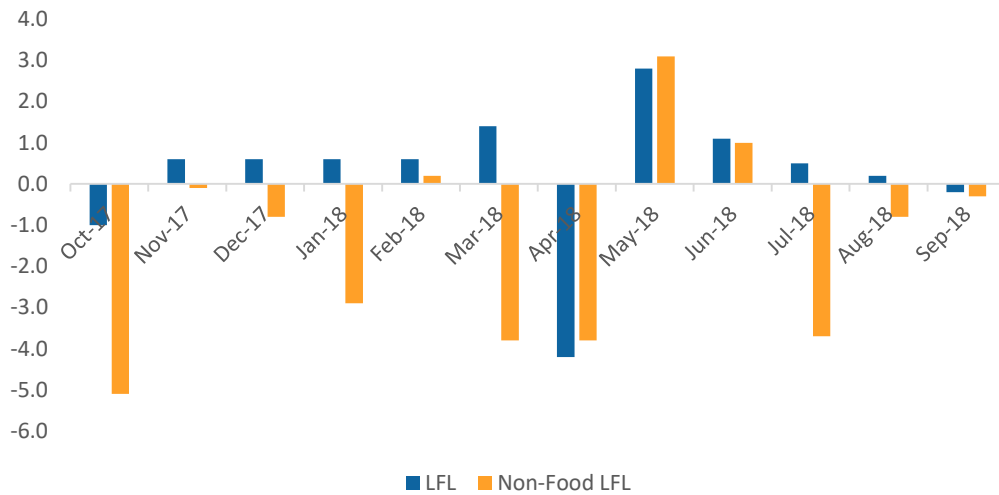


# UK Market

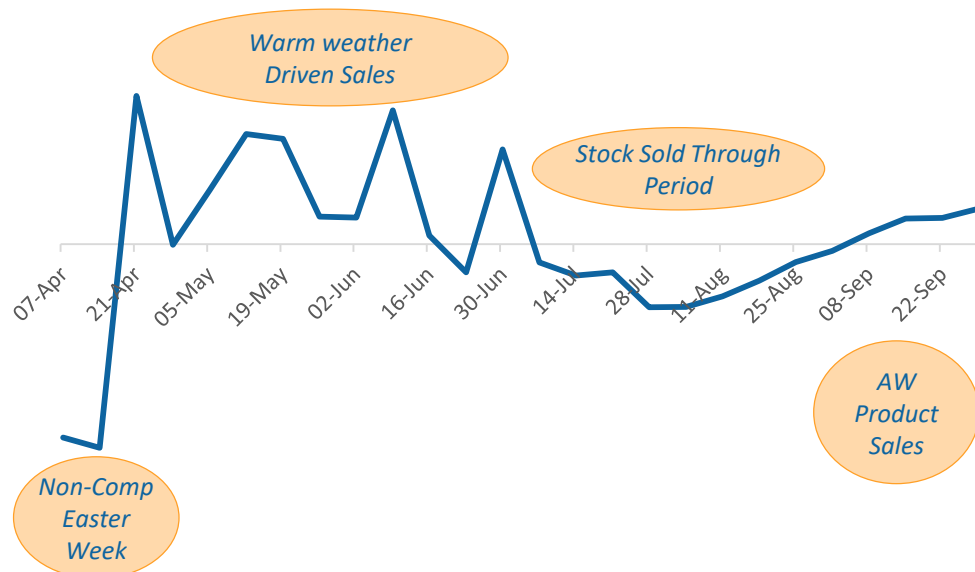
Heron Foods



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)

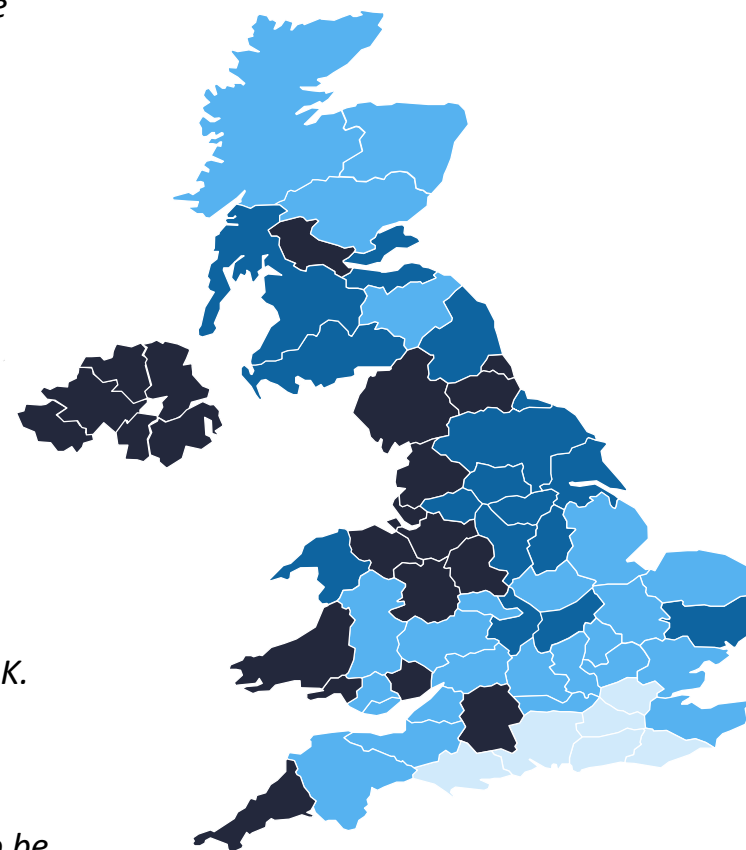
20  
Openings  
expected in  
Q3

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





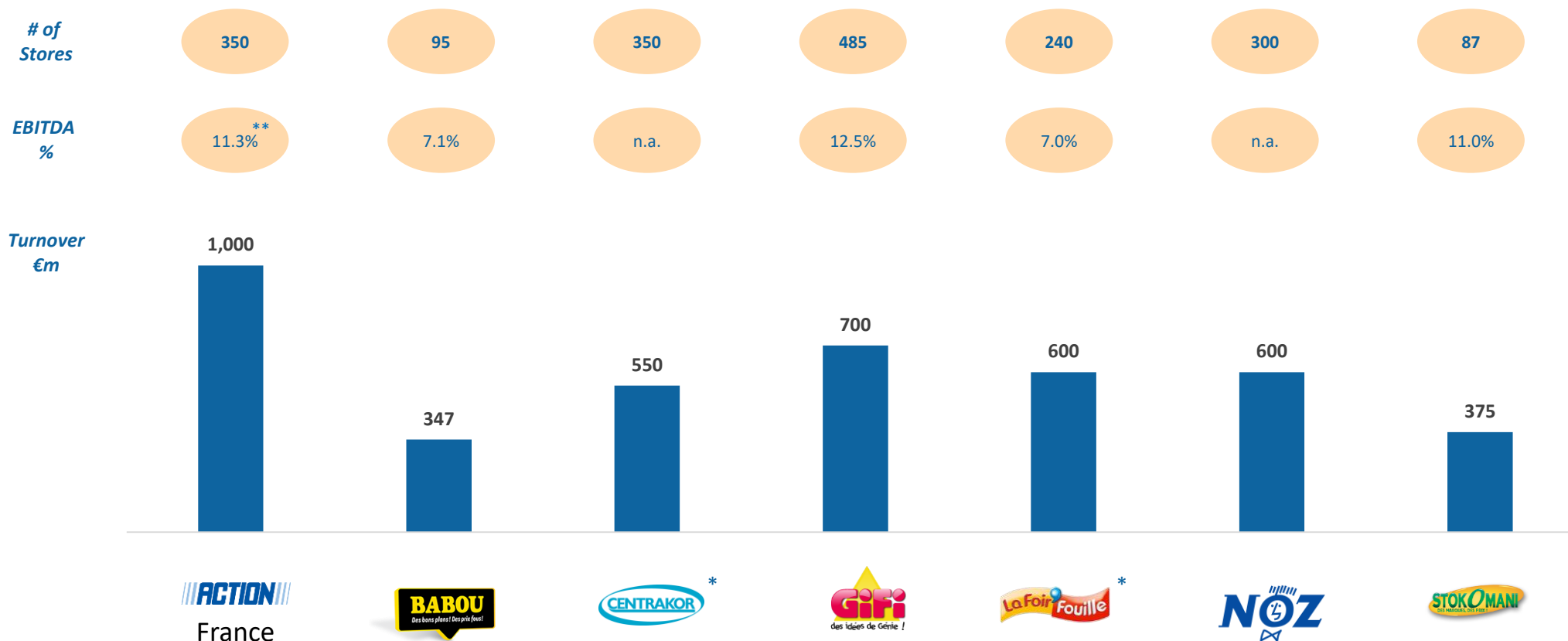


*Acquisition of Babou*

# 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



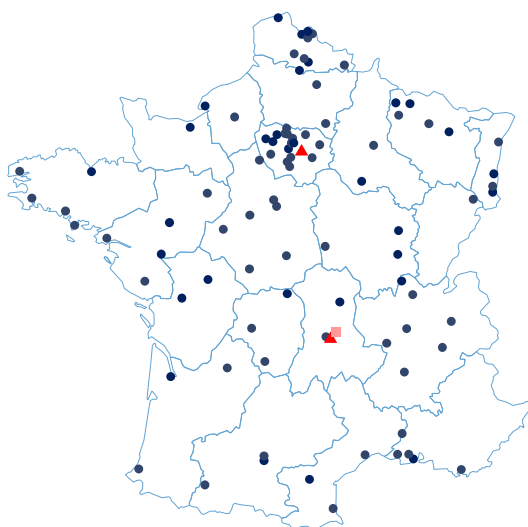
***Babou stores are located out of town, 2,700m<sup>2</sup> average sales area***

- 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 m<sup>2</sup> + 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





# Acquisition of Babou



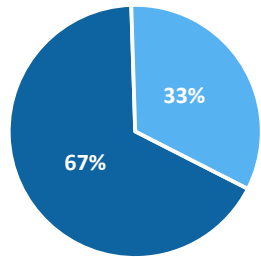
- 1 Background & History**
  - *Babou was founded in 1978 by the Kleboth family and was an early mover in French non-food discount retailing.*
  - *Network of 95 stores across France, with a HQ and Distribution centre near Clermont-Ferrand in central France*
  - *Founder's family were controlling shareholders 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

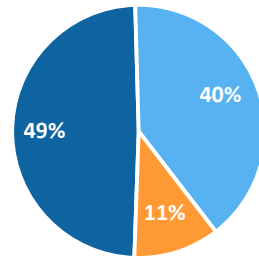


## Gender



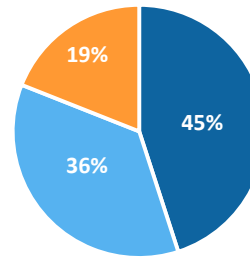
■ Women ■ Men

## Income Profile



■ Lower ■ Middle ■ Inactive

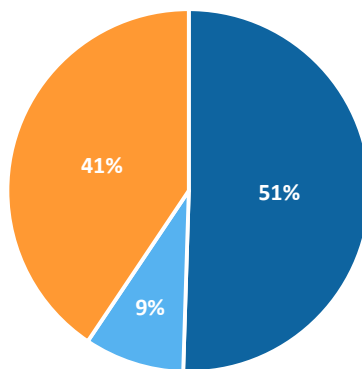
## Age



■ 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

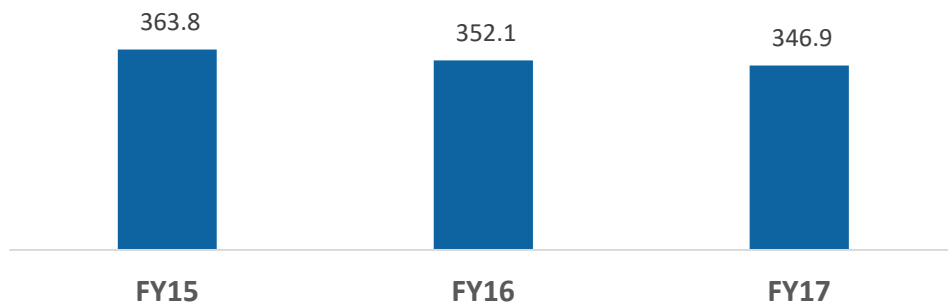
- 20% sourced from Asia
- Clothing & Apparel has been in 5 year LFL decline, and is primary factor why EBITDA has declined from €53.4m in 2010.
- Our strategy is to reduce reliance on Clothing and Footwear and to improve General Merchandise and Seasonal Categories



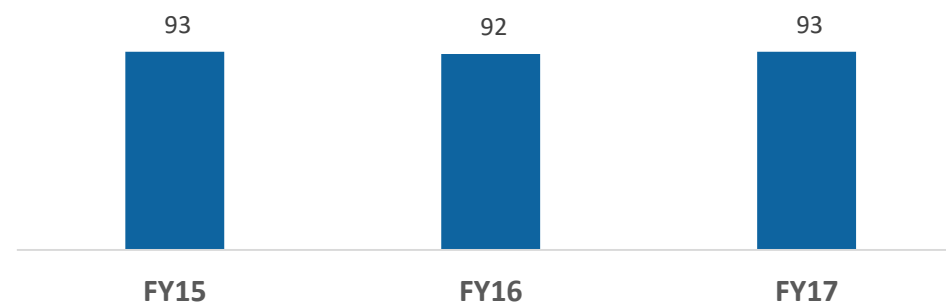
# Financial Profile



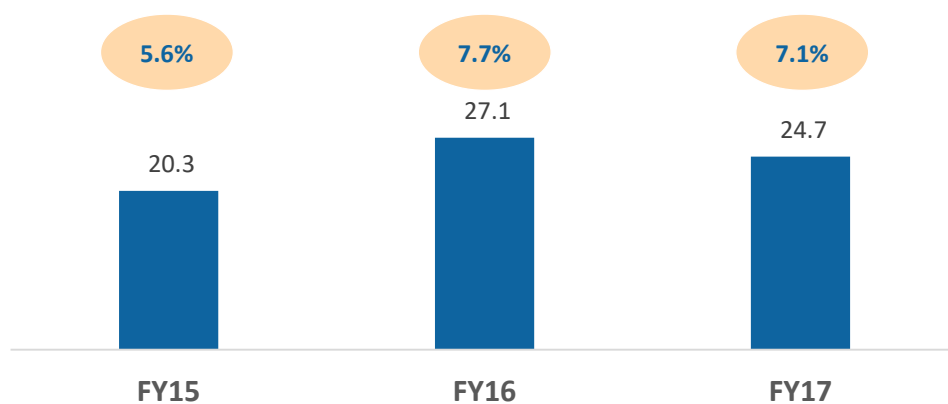
## REVENUES, €M



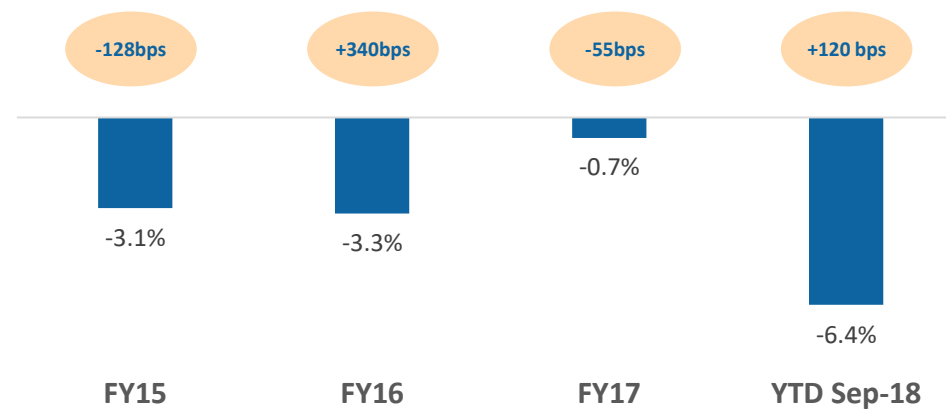
## STORE #’S, END OF PERIOD




## EBITDA, €M



## LFL TRADING AND GROSS MARGIN CHANGE



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



Note: Babou's Financial Year-End is 31<sup>st</sup> January. FY17 is the year ended January 2018

# 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

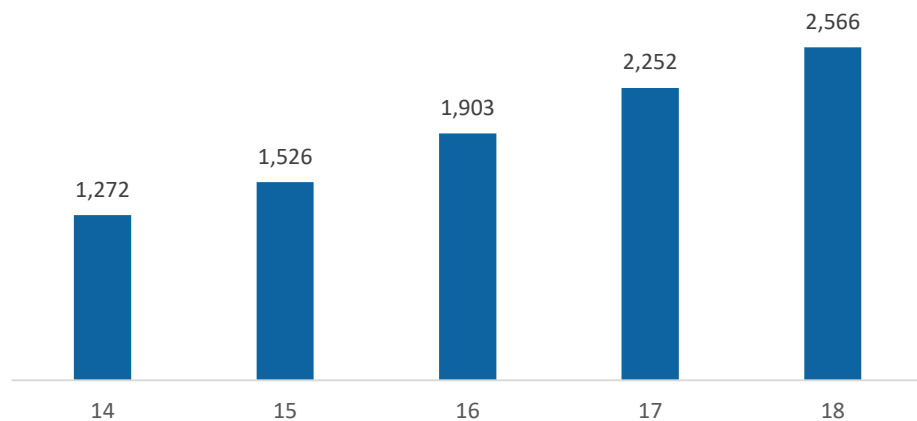




# Group Sales

## B&M SALES

£ millions



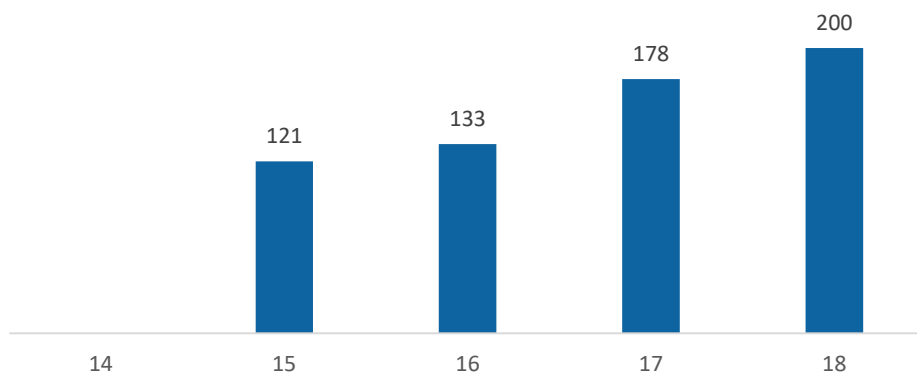
## HERON SALES

£ millions



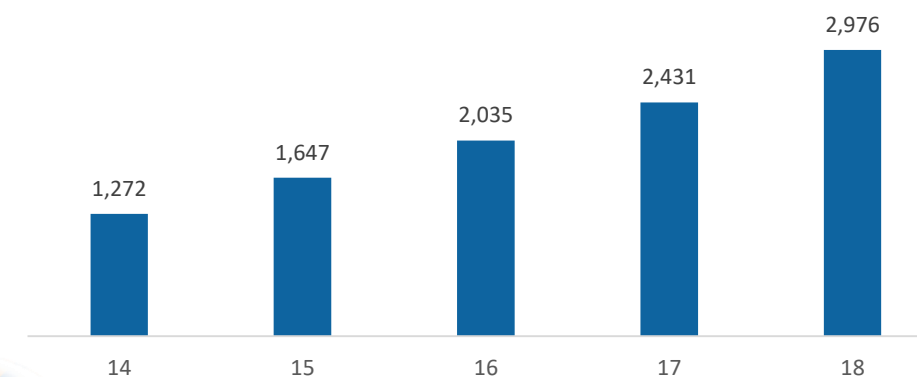
## JAWOLL SALES

£ millions



## GROUP SALES

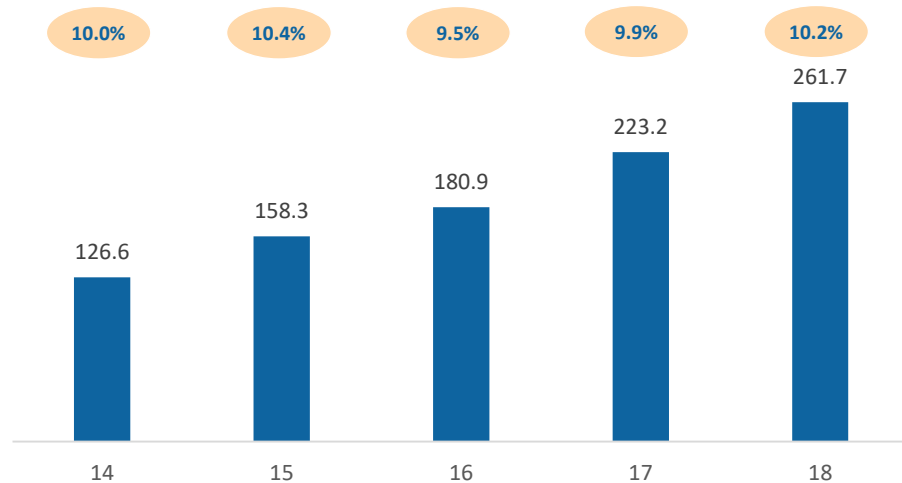
£ millions



# Group EBITDA

## B&M EBITDA

£ millions



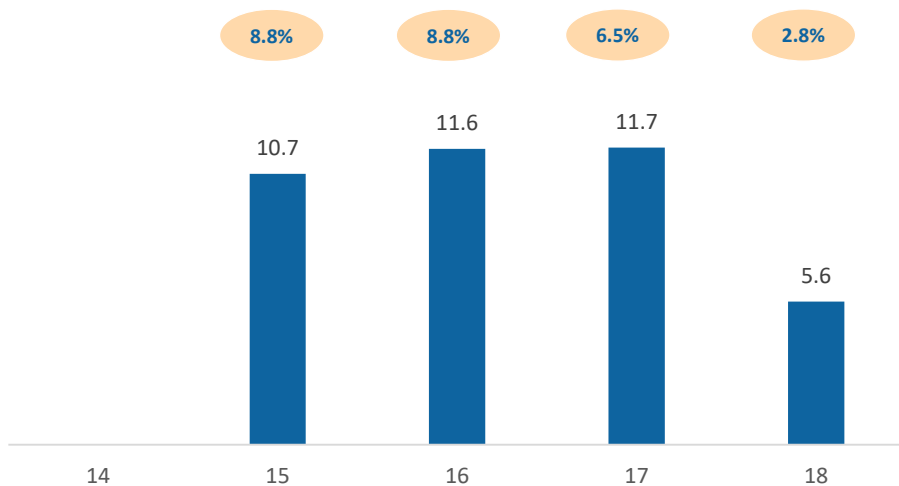
## HERON EBITDA

£ millions



## JAWOLL EBITDA

£ millions



## GROUP EBITDA

£ millions

