B&M European Value Retail
Preliminary Results Presentation
52 weeks to 31st March 2019

FY19 Group Highlights

- Group revenues increased by 17.1% to £3,486.3m
  - B&M UK LFL revenues +0.7% with a strong finish, Q4 LFL +5.8%
  - 54 gross new B&M store openings in the UK and a net 44
  - 20 gross new store openings at Heron and a net 16
  - 10 new store openings at Jawoll and £129.1m revenues from Babou
- B&M UK adjusted EBITDA growth of +13.5%
- Group adjusted EBITDA increased by 11.9% to £312.3m
- Adjusted diluted EPS 19.7p, an increase of 10.7%
- Net cashflow from operations £259.4m, (FY18: £242.0m)
- Full year dividend 7.6p

Paul McDonald

Chief Financial Officer

Summary Profit and Loss

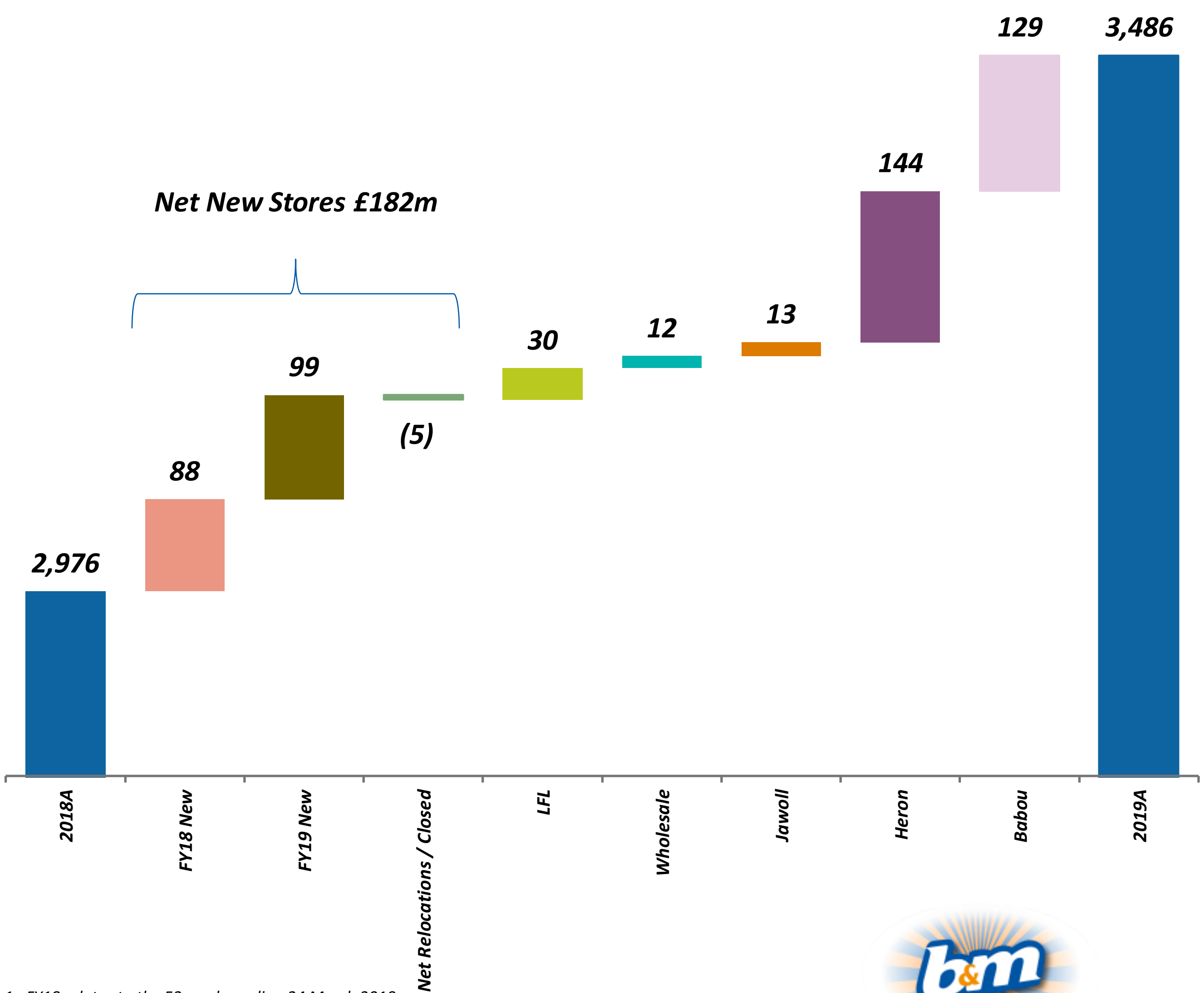
£ millions, March year end	FY18A[1]	FY19A	%	FY18A (53 Weeks)
Group Stores	927	1,093	17.9%	927
Revenues	2,976.3	3,486.3	17.1%	3,029.8
Gross Profit	1,010.2	1,189.4	17.7%	1,028.4
%	33.9%	34.1%	18bps	33.9%
Operating Costs	(731.2)	(877.1)	20.0%	(745.1)
Adjusted EBITDA	**279.0**	**312.3**	**11.9%**	**283.3**
%	9.4%	9.0%	(42)Bps	9.4%
Depreciation and Amortisation	(36.2)	(49.7)	37.4%	(36.9)
Interest	(21.4)	(22.9)	7.3%	(21.6)
Adjusted Profit Before Tax	**221.5**	**239.8**	**8.2%**	**224.8**
Costs[2]	(4.9)	2.5	(146.1)%	(4.9)
Interest[3]	9.4	7.2	(23.7)%	9.4
Profit / (Loss) Before Tax	**226.1**	**249.4**	**10.3%**	**229.3**
Adjusted Diluted Earnings per Share (p)	17.8p	19.7p	10.7%	18.0p
Statutory Diluted Earnings per Share (p)	18.3p	20.5p	12.0%	18.6p

Note: 1. FY18 relates to the 52 weeks ending 24 March 2018
Note 2. Refer to financial statements
Note 3. Refer to page 10

Group Revenue Bridge

REVENUE FY18-FY19

£ millions,



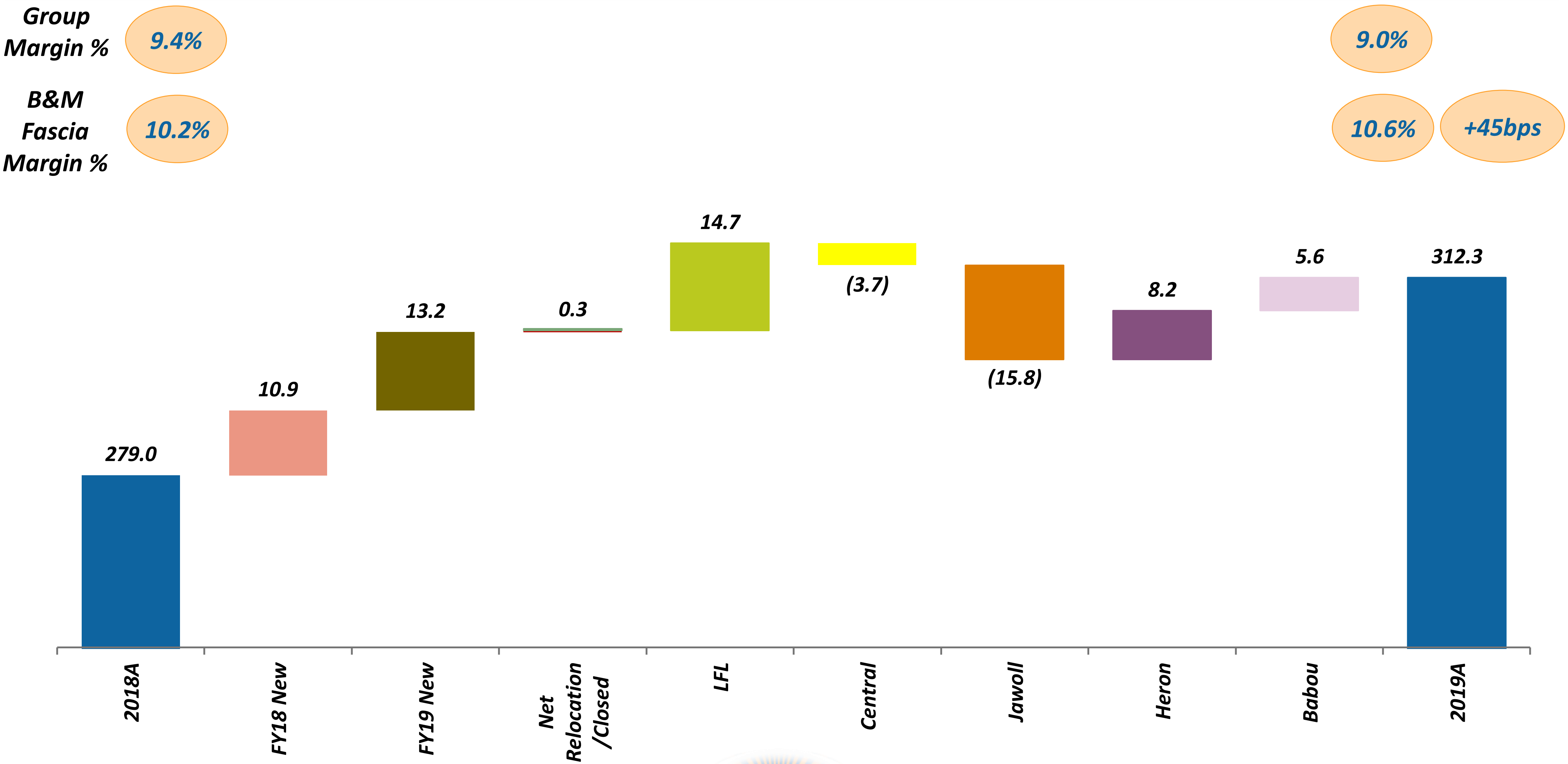
- +17.1% overall Group revenue growth
- B&M UK growth + 8.7%
  - Annualisation of FY18 new store openings
  - 54 gross new stores opened in the UK including 5 relocations. Closed 5 stores.
  - UK LFL +0.7%
  - Wholesale revenue, £12m
- Heron revenues:
  - £121m in H1 FY19 Non-comparable period
  - Positive LFL growth and 16 net new stores
- Jawoll delivered +6.7% revenue growth with a positive LFL performance
- £129m revenues from Babou in 23 weeks of ownership

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

Continued UK EBITDA Growth

£ millions,

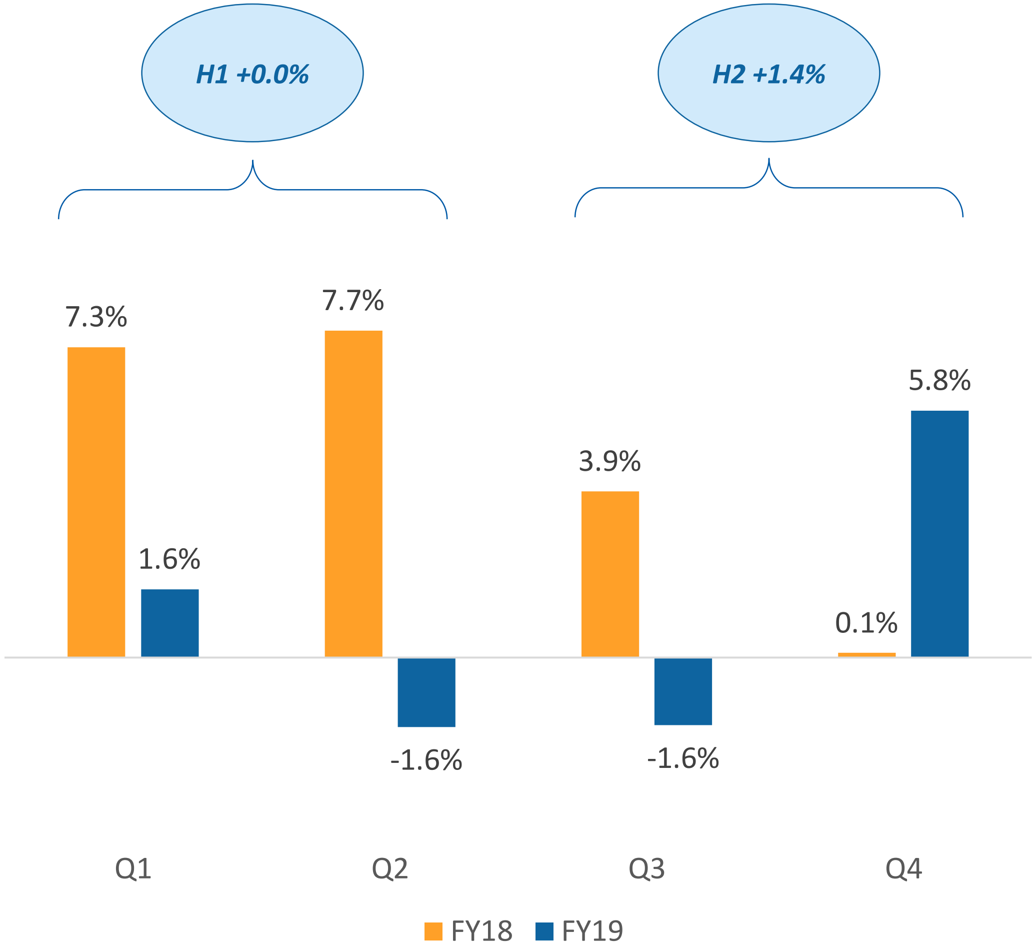
ADJUSTED EBITDA BRIDGE FY18-FY19



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

B&M Fascia LFL Sales

FY19 STRONG Q4

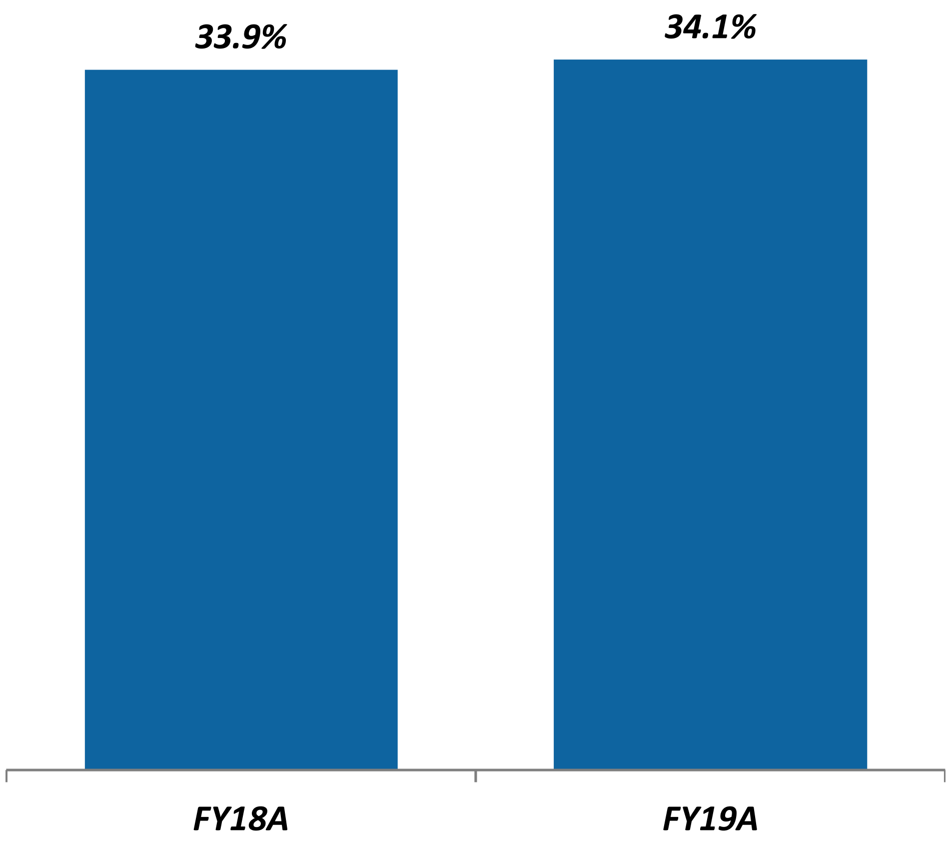


COMMENTARY

- Full year LFL sales growth of +0.7%
- Strong Q4 +5.8% LFL and +6.7% excluding Easter impact
- There has been growth in both customer numbers and average transaction values
- Retail price inflation continues to ease
- The grocery / FMCG price gap remains unchanged and LFL revenues on that category have been strong in the year
- Homewares had a challenging year and impacted the overall LFL by approx. -1.8%
- We have seen a pleasing start to the new financial year with YTD LFL in mid single digits

Group Gross Margin Performance

GROUP GROSS MARGIN (%)



KEY HIGHLIGHTS

- B&M fascia margins were 29bps higher than last year
  - Despite headwind of further shift in the mix towards grocery / FMCG ranges
  - Despite impact of wholesale margin on c. £12m sales
  - Offset by good sell through on seasonal product categories and less promotional activity
- Heron margins were 57bps lower than last year reflecting a higher mix of branded ambient products
- Jawoll margins were 392bps lower than last year impacted by the stock clearance activities
- Babou traded at a 42.3% margin for the 23 weeks of ownership

Group Operating Costs

£ millions,

	FY18	FY19
B&M	608.5	657.0
Heron	55.5	91.6
Jawoll	67.1	79.4
Babou	-	49.1
Total Group	**731.2**	**877.1**
Depreciation	36.2	49.7

% of Revenue		
B&M	23.7%	23.6%
Heron	26.4%	25.9%
Jawoll	33.5%	37.2%
Babou	-	38.0%
Total Group	**24.6%**	**25.2%**
Depreciation %	1.2%	1.4%

KEY HIGHLIGHTS

- B&M fascia operating costs as a % of sales are 16bps lower than last year
  - impact of living wage mitigated through productivity gains
  - Some worsening in T&D performance
  - Store cost operating leverage
- Heron, impact of full period of ownership, cost % 57bps lower, benefitting from operating leverage
- Jawoll, operating costs increased to £79.4m, 368bps adverse to last year
- Depreciation reflecting Babou and Heron acquisition.

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

Group Interest Expenses

£ millions,

	FY18	FY19
Interest	*20.1*	*21.0*
Amortised Fees	*1.5*	*1.9*
Total	***21.6***	***22.9***
Put/Call Option	*(10.1)*	*(8.1)*
Heron Deferred Consideration	*0.7*	*0.9*
Total	***(9.4)***	***(7.2)***

KEY HIGHLIGHTS

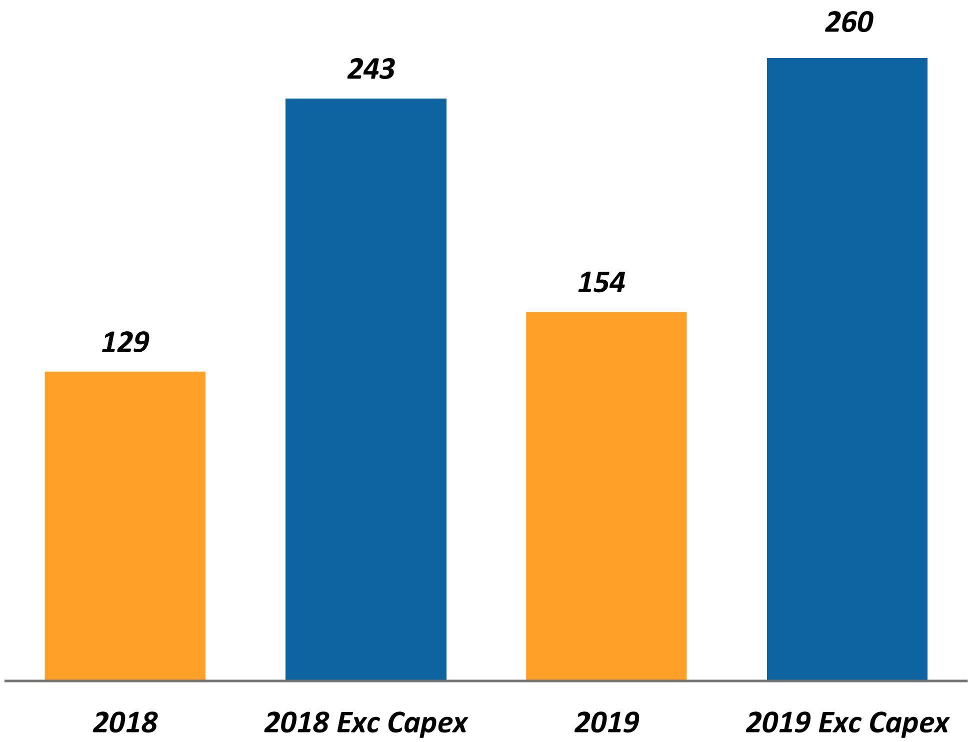
- Interest and amortised fees relate to the bank debt and bonds
- We expect full year Interest charge in FY20 of c. £23m including fee amortisation following the additional loan facility to finance Babou acquisition
- Revaluation of the Jawoll Put / Call Option
- £0.9m of non-cash interest relating to the accounting treatment of the Heron deferred consideration

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

Continued Cash Flow Conversion

£ millions,

OPERATING CASH FLOW



Net debt / Adjusted EBITDA of 1.75x excluding expenditure on Southern Distribution Centre

CASH FLOW STATEMENT

£m	FY18A	FY19A
Adjusted EBITDA	**283.3**	**312.3**
Change in Working Capital	*(40.2)*	*(52.5)*
New Store Capex	(33.7)	(40.0)
Infrastructure Capex	(62.4)	(30.8)
Maintenance Capex	(18.0)	(34.9)
Capex	*(114.1)*	*(105.7)*
Operating Cash Flow	**129.0**	**154.1**
Tax	*(44.0)*	*(47.3)*
Acquisition[1]	*(107.2)*	*(77.4)*
Other[2]	*1.3*	*0.9*
Operating and Investing Cash Flow	**(20.9)**	**30.3**
Net Debt / Adjusted EBITDA	*1.92x*	*1.99x*

Note 1: Acquisition of Heron in FY18 and Babou in FY19
Note 2: Other includes interest and dividends receivable

Simon Arora

Chief Executive Officer

Jawoll Germany

P&L, £M

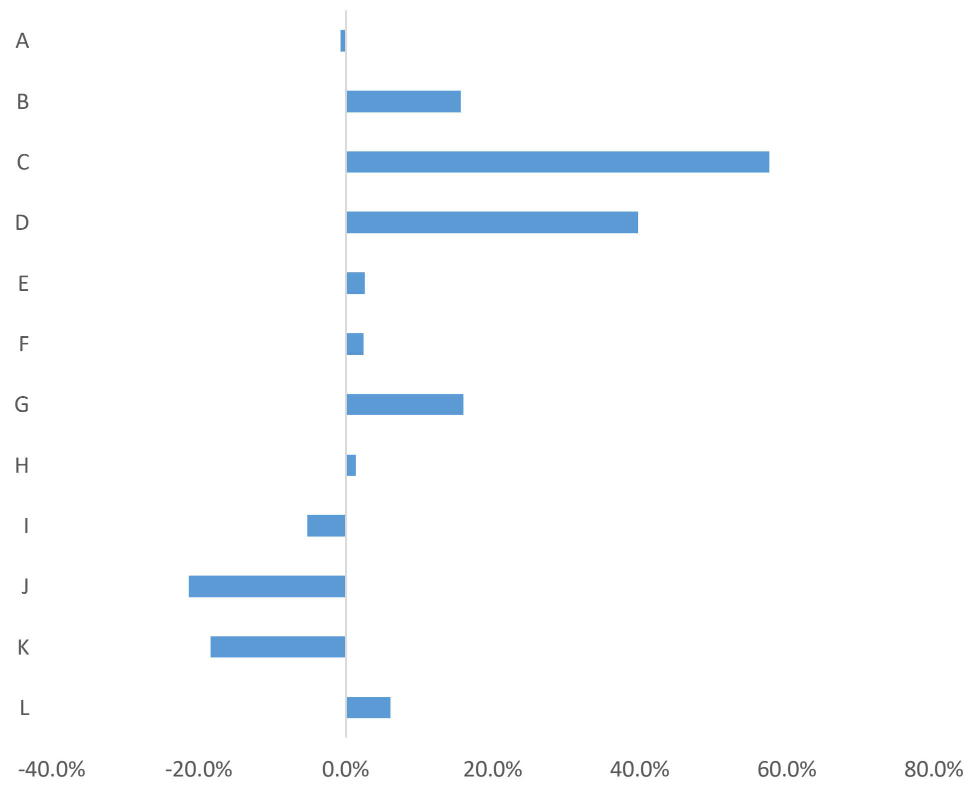
	FY18	FY19
Revenues	200.3	213.7
Gross Profit	72.7	69.2
%	**36.3%**	**32.4%**
Costs	67.1	79.4
%	**33.5%**	**37.2%**
EBITDA	5.6	(10.2)
%	**2.8%**	**-4.8%**

TRADING SUMMARY

- Delivered Total Revenue Growth of 6.7%, with LFL +2.6%
- Gross Margin reduced by 392 bps
  - clearance activity of slow-selling product, especially in structurally challenged clothing category
  - the year has seen the purchased quantities either ‘Too Little’ or ‘Too Much’ as we introduce new lines
- Costs 368bps higher than last year
  - Store costs increased due to new stores and promotional activity
  - Significant overspend of c. £6m in Transport & Distribution costs due to inefficiencies
  - Investment in Central costs

Jawoll: Category performance highly mixed

CATEGORY PERFORMANCE



Departments which benefited from B&M Supply Chain traded well, but we have lots more to learn and execute better

COMMENTARY

- Grocery & FMCG delivered -0.7% LFL
- Gardening delivered +6.1% LFL
- Toys delivered +57.6%
- Clothing experienced -21.3% LFL and at extremely low margin
- Christmas Decorations underperformed, due to understocks on good lines and overstocks on poor lines, at -18.4%, but we have learnt lessons for Christmas 2019
- Homewares was +2.4% LFL but at much reduced Gross Margin as we cleared out discontinued, slow-selling products

Jawoll: Outlook for FY20

PRODUCT RANGE

- Build on initial success of B&M sourced ranges but learn from customer reaction on a line-by-line basis
- Repeat order to known Rates of Sale and not “Too Little” or “Too Much” which characterised first seasons
- Clear out remaining stocks that are over 1 year old

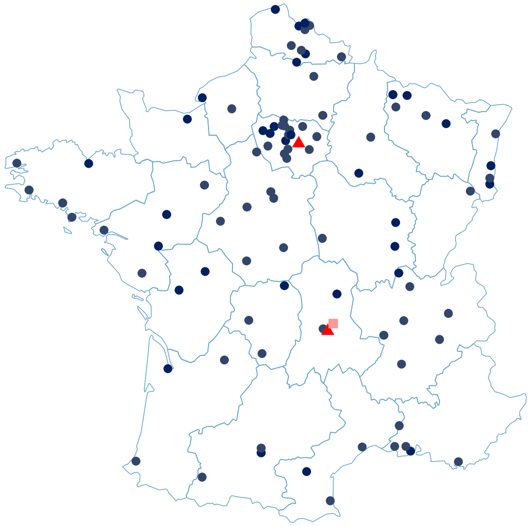
TRANSPORT & DISTRIBUTION

- Existing Soltau company owned distribution centre has struggled to cope with volumes of direct sourced product, especially at peak and given overstocking of new items with no previous sales history
- Work with 3PL with infrastructure and capacity to process certain product categories. This will have cost implications but worthwhile over next 2-3 years as we develop the model

CENTRAL FUNCTION

- We have invested in central overheads but have further recruitment to do
- More improvements operationally at store level to achieve better consistency of retail standards
- We will open 5 new stores

BABOU: At a glance



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

HIGHLIGHTS

- 100% of Babou was acquired October 2018 for €94m
- Babou trades from 96 out of town retail stores with average 2,700m² sales area
- Stores are generally well located and of consistent size
- In 2017, Babou delivered revenues €347m and underlying EBITDA of €17m
- Distribution Centre of 50,000m² and offices in Central France.
- For the year to March 2019, Babou contributed €6m of EBITDA
- On acquisition, General Merchandise was 51% of sales, Seasonal was 9% and Clothing was 41%. We expect clothing to reduce to 20% as we expand Seasonal, Toys, Home and introduce a limited FMCG offer

Accelerated change in product ranges

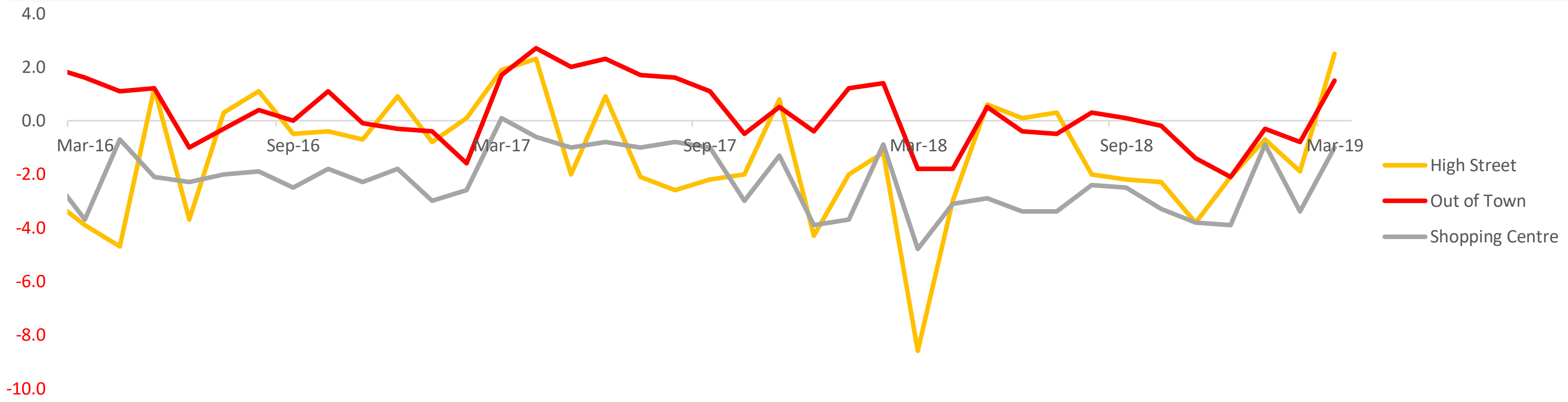
CASE STUDY: B&M INDOOR FURNITURE LAUNCHED MARCH 2019

COMMENTARY

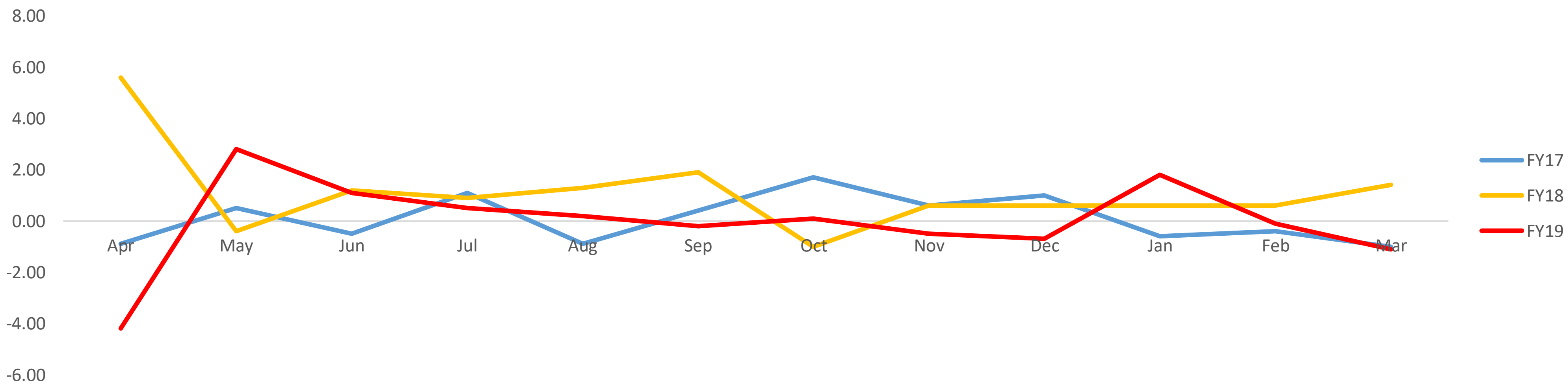
- In the weeks following launch of the B&M range, the department’s weekly sales tripled
- We have similar launches across Home, Toys, Pet, Stationery & Christmas over H1 of FY20
- FMCG and Ambient food ranges launched January 2019 and have sold well. Babou also implemented B&M’s successful ‘Managers Specials’ programme.
- Clothing department is being dramatically run down, this will create short-term margin headwind; alongside clearance of discontinued ranges.
- The transition period will result in negative LFL’s in the short term.
- We do not expect Babou to generate material EBITDA for FY20, but hope to see clear signs of improvement in Autumn/Winter 2019 and a strong recovery in FY21.

Core UK Market: Spending is Subdued

YOY PERCENTAGE CHANGE IN FOOTFALL INDICES



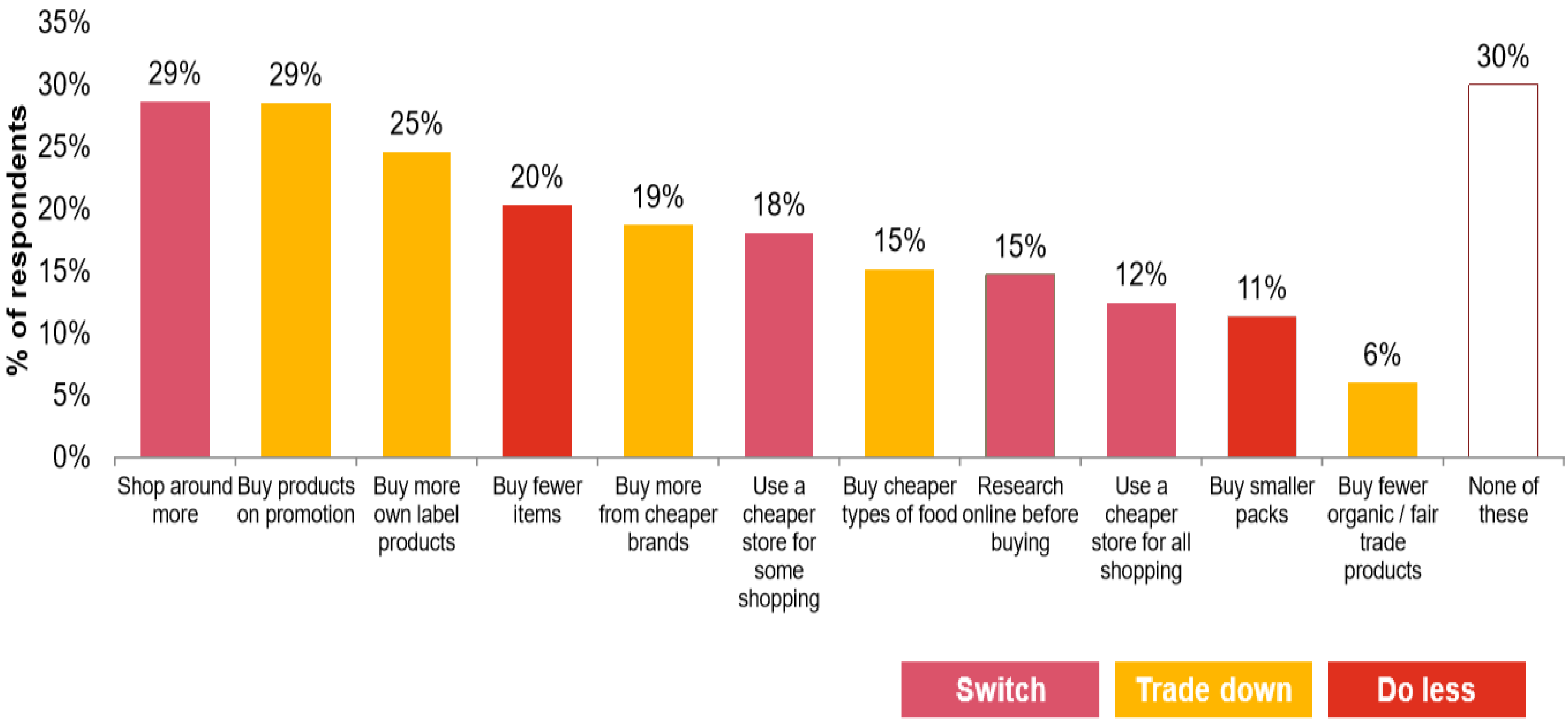
BRC LFL SALES TOTAL BY MONTH (12 MONTHS TO MAR-19)



Source: BRC and Springboard

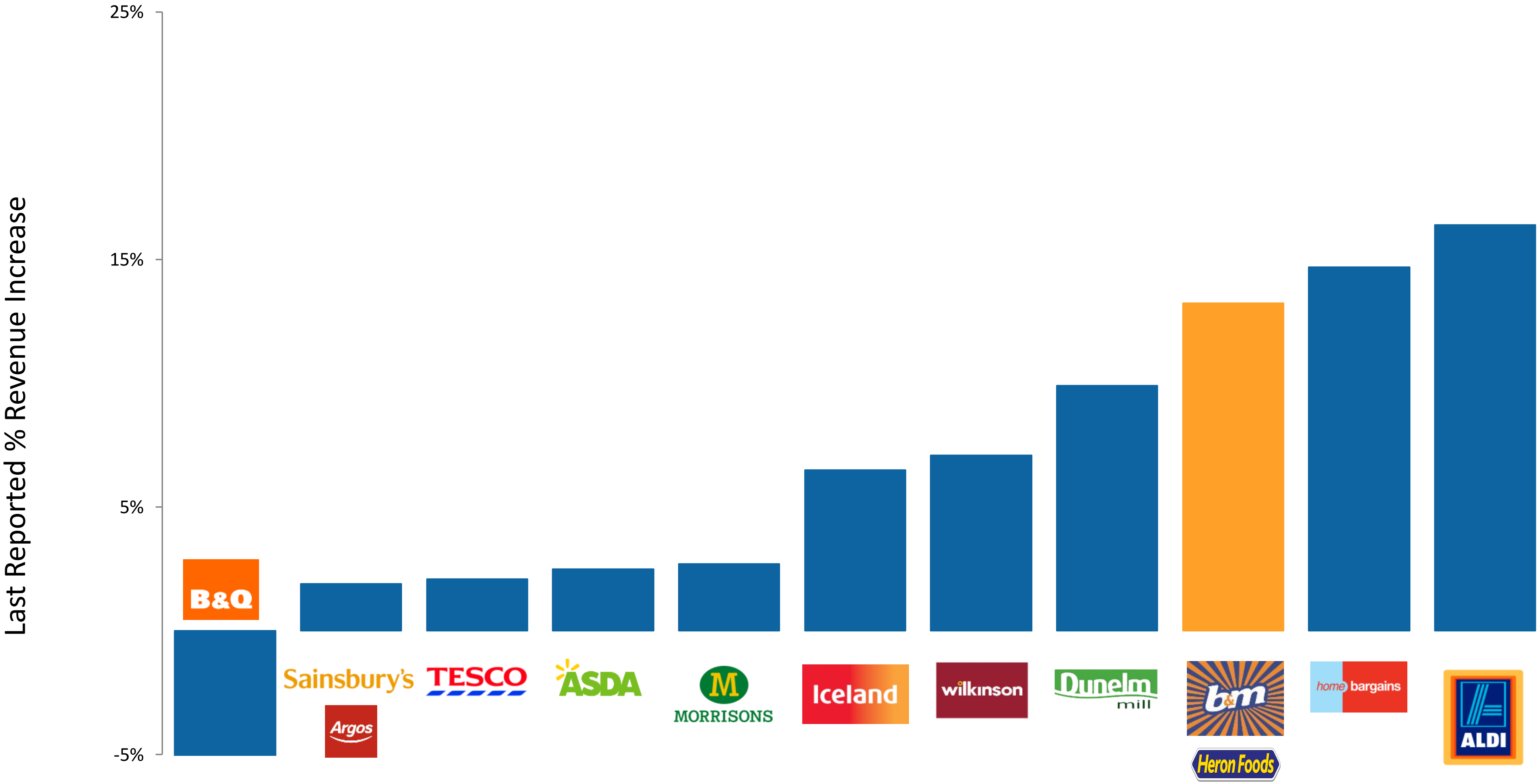
Shoppers want to save money

How do you think your grocery shopping habits will change over the next 12 months?



Source: PwC Consumer Sentiment Survey December 2018 (n = 2,053)

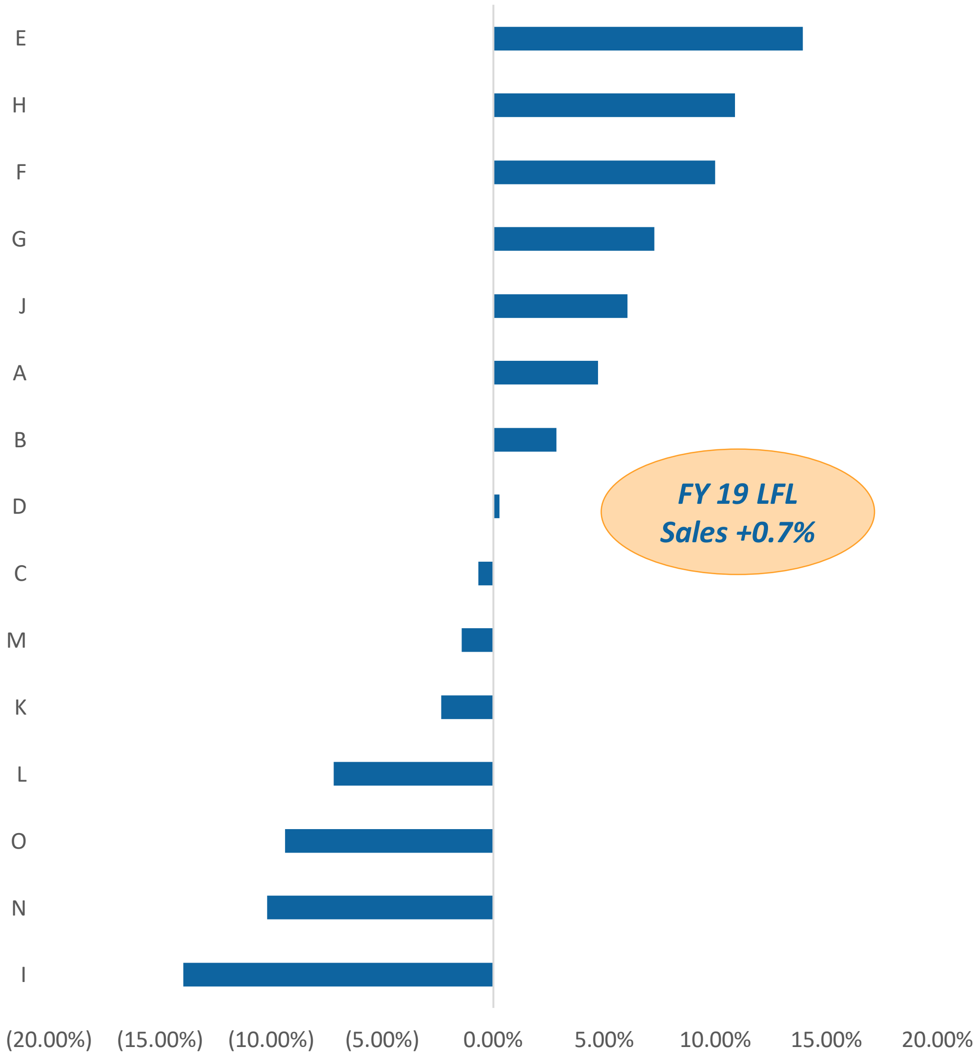
UK Revenue Growth



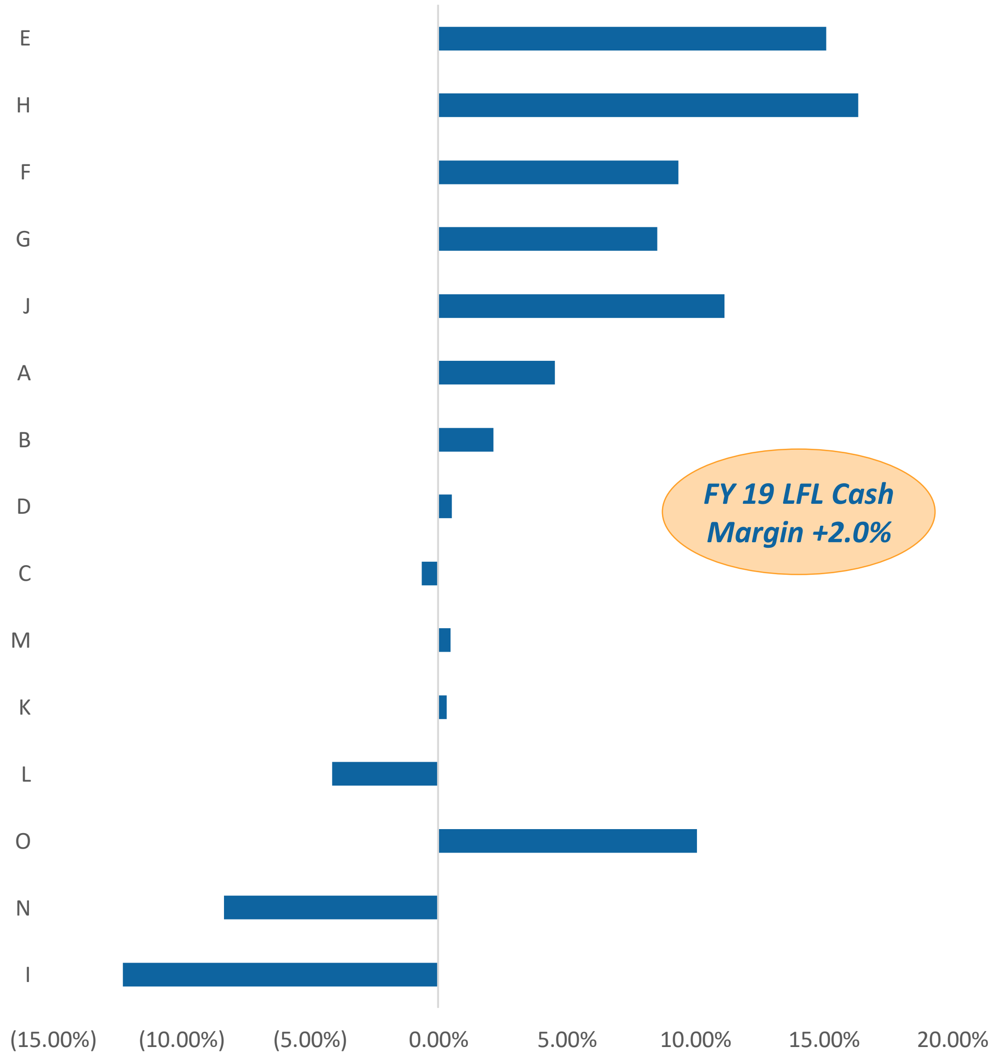
Note: 1. Latest annual accounts or full year announcements, up to May 2019. Revenues exclude VAT
Note 2. B&M figures include Heron Foods and are stated on a 52 week basis.
Note 3. Lidl do not separately disclose UK revenues

B&M's LFL Performance by category

FULL YEAR CATEGORY LFL SALES %

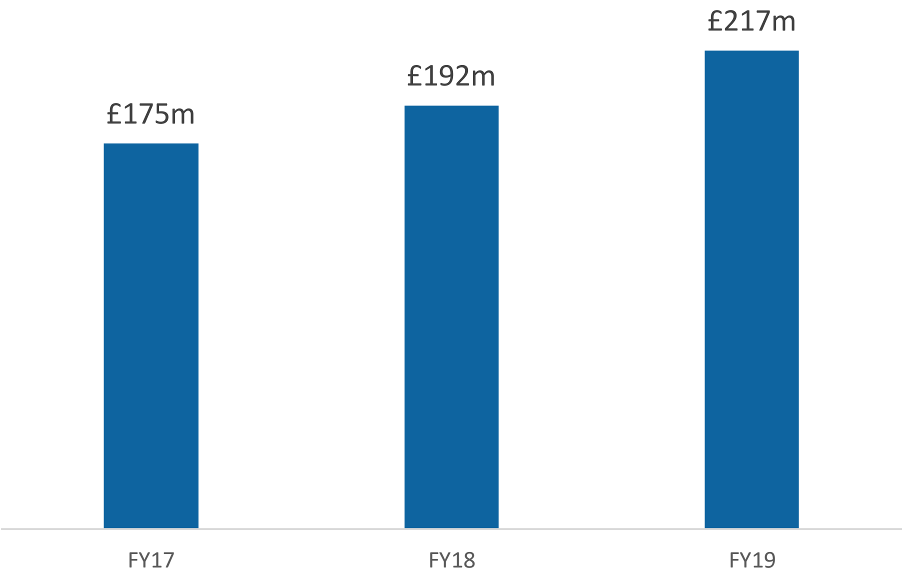


FULL YEAR CATEGORY LFL MARGIN %



Case Study: Toy Department

GROSS TOY SALES



COMMENTARY

- UK Toy market estimated to be £3.3bn in 2018, of which 34% is online[1], meaning B&M now enjoys c. 7% total market share and c. 10% of bricks and mortar sales.
- Our increasing size and improved retail standards have encouraged leading brands to engage and supply us with their key products.
- We have become a destination for this category, especially at key Autumn/Winter seasonal peak.
- This coming year's performance should be helped by major film releases – Toy Story 4 and Frozen II
- However, we are now annualising one-off market share gain from Toys R Us closure

(1) – Source: British Toy & Hobby Association, 22 Jan 2019

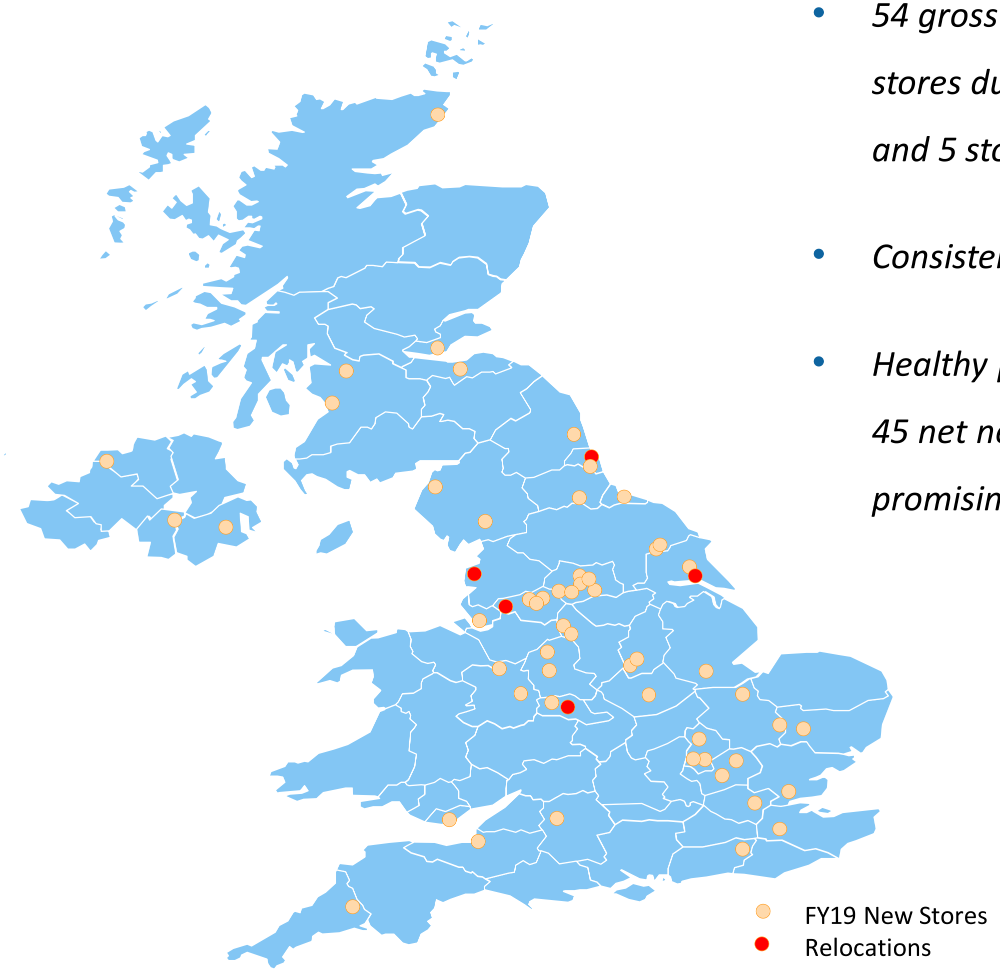
Case Study: Home Department

COMMENTARY

- Homeware categories underperformed in FY19
- We invested new buying and design resources into the category
- March 2019 saw launch of new ranges and implementation of new visual merchandising principles
- Q3 YTD LFL Performance: -9.2%
- Q4 LFL Performance: -1.5%
- FY20 Q1 has swung firmly into positive territory across this department as we have made it more 'on trend'
- We are focused on maintaining good sell-through at full price rather than Promotional Activity and chasing LFL sales

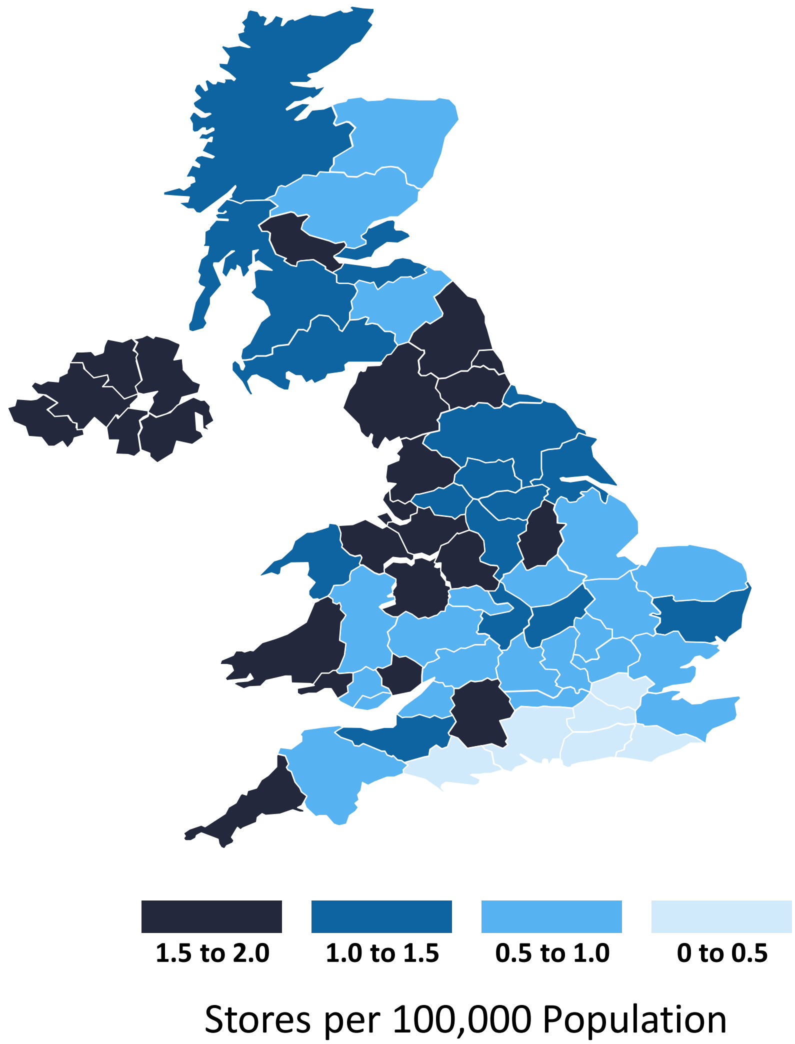
New Store Programme

FY19 OPENINGS

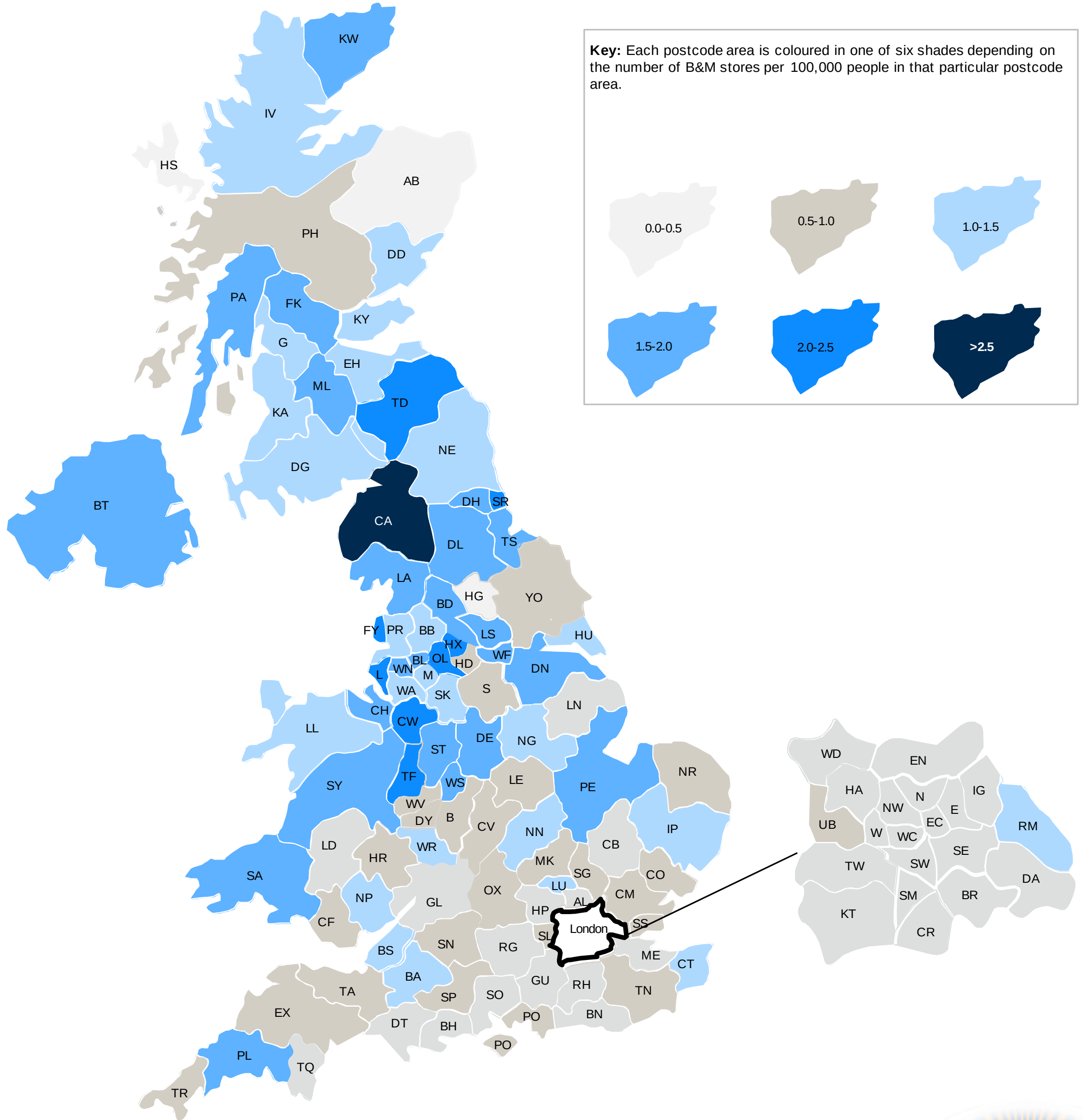


- *54 gross openings (net 44 stores due to 5 relocations and 5 store closures)*
- *Consistent high store returns*
- *Healthy pipeline for FY20 of 45 net new stores and promising pipeline for FY21*

620 STORES AS AT MARCH 2019



Postcode Analysis suggests upside on In-fill opportunity



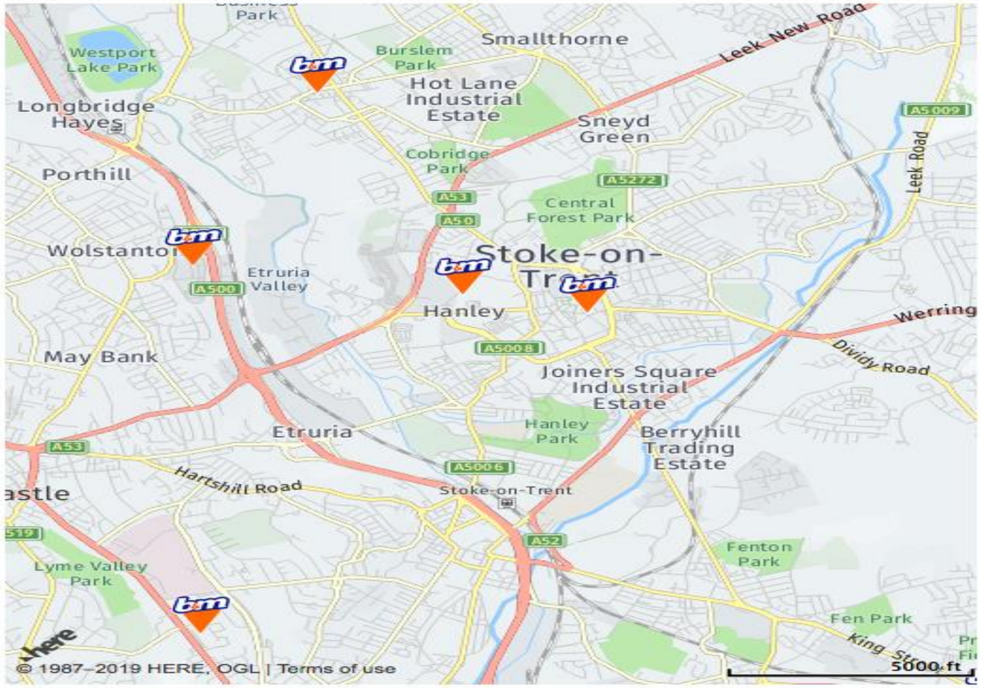
COMMENTARY

- We re-affirm 950 store target but there is clearly upside opportunity
- Continued growth not predicated on penetration into Greater London
- Expansion will be in new counties and also in-fill opportunities in 'heartland' counties such as Yorkshire and Midlands

Source: Barclays analysis May-19

Case Study: Stoke-on-Trent, Staffordshire

CASE STUDY: STOKE-ON-TRENT



- The map shows our 5 stores within 3 miles of Stoke town centre.
- These comprise 3 Bargain Stores and 2 Homestores with Garden Centres.

COMMENTARY

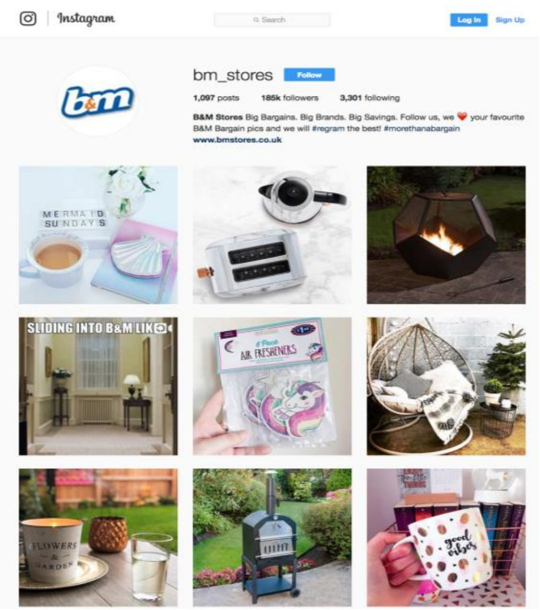
- Our first Stoke store is over 15 years old.
- We have opened 4 further stores within a 3 mile radius of the first store, most recently Wolstanton, which is only 1 mile away, on 26/04/19.
- Our budget for these 5 stores in FY20:

Revenues:	£32.0m
Store Contribution:	£ 5.7m
Contribution %:	17%

- Our stores can generate high returns even when densely clustered

Marketing Update

INSTAGRAM



Followers May-19: **442k**

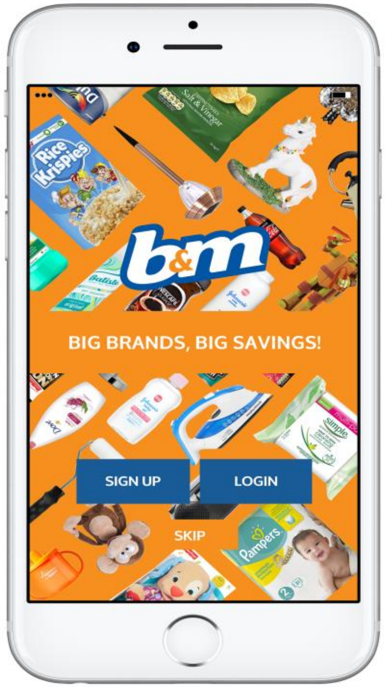
Followers May-18: **185k**

1.2m website visits per week

EXAMPLE CAMPAIGN

- 'Mission Christmas' collects and distributes toys and gifts to underprivileged children across the UK. B&M is a key sponsor and our stores act as collection points
- Through our social media and radio support, B&M collection sites contributed £11m of donations.

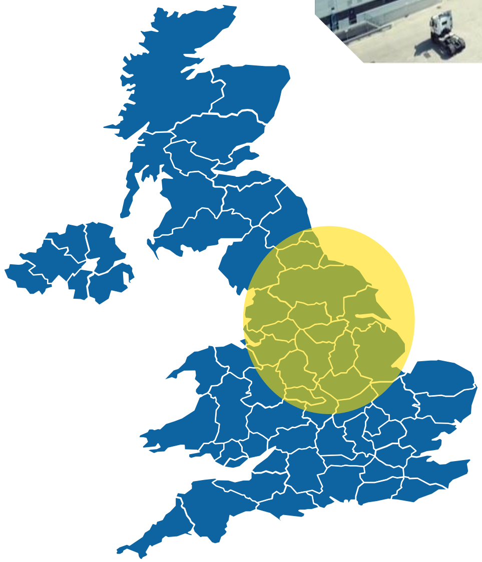
B&M APP



- App launched Jan-18
- Actively used to browse products and scan barcodes

T.V. Advertising Spend in FY19 was £NIL

Heron Foods Update



HIGHLIGHTS

- The Heron acquisition continues to prove successful and integration has gone well
- Positive LFL performance in FY19 driven by B&M ambient food ranges
- Opened 20 gross (16 net) new stores in FY20 and plans to open 20 in FY20
- Further roll-out of Heron's Frozen/Chilled proposition to B&M stores is paused until Bedford is operational, at which time we will evaluate the return on space of General Merchandise vs Chilled/Frozen

New Warehouse Investment in the UK

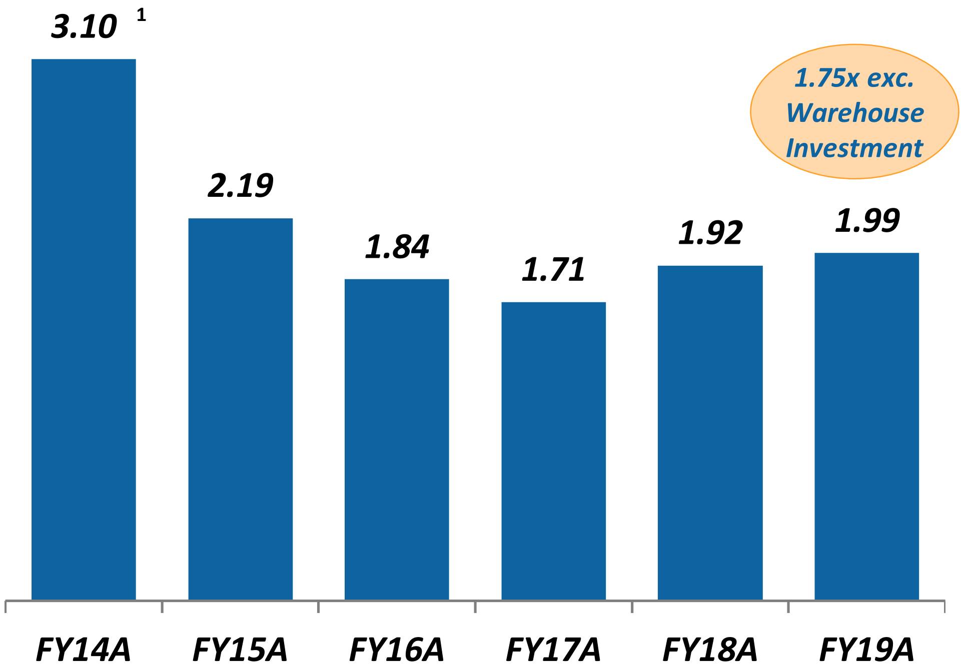
IMPRESSION OF PROPOSED NEW DC FOR THE SOUTH

KEY HIGHLIGHTS

- Acquired land in FY18 in Bedford at a cost of £44m, to develop a purpose built 1 million sq. ft. distribution centre for South of UK
- Build costs incurred over FY19 has been £21m
- We propose to 'Sale and Leaseback' the facility in H2 of FY20, recouping all the capex plus a modest development gain
- The facility will cost £6.5m p.a. in rent from Sept 2019
- Set-up occupation costs for commissioning, recruitment and training in FY20 expected to be c. £12m, inclusive of rent in FY20, prior to operational efficiencies in FY21

Capital Structure

DE-LEVERAGING PROFILE



We are not currently evaluating any further acquisition opportunities

CAPITAL ALLOCATION FRAMEWORK

STORE ROLLOUT

↓

ORDINARY DIVIDEND

↓

M&A OPPORTUNITY

↓

RETURN SURPLUS CASH TO SHAREHOLDERS

Note 1: The 3.1x in 2014A is a pro-forma figure reflecting the post IPO capital structure. The actual at March-14 was 3.3x

Outlook for FY20

- B&M model is highly relevant and continues to win market share in UK
- Our strong LFL's of +5.8% in FY19 Q4 have continued into FY20, albeit only 6 weeks trade so far. We are delighted by our best ever Easter trading period, but prudent to expect more modest LFL growth in the full year as a whole.
- Healthy pipeline of net 45 new openings in FY20 for B&M and 15 openings at Heron. With 5 stores at Jawoll and 5 at Babou expected in FY20, as we prioritise the improvement of the product ranges
- Jawoll needs more time to improve its product range and the effectiveness of distribution.
- Babou is undergoing a year of decisive change to its product ranges as it repurposes closer to the B&M model
- We are not currently pursuing any M&A opportunities, and so we expect to generate additional surplus cash after the Bedford DC sale and leaseback
- The group is well placed for further profit growth and strong cash generation in FY20

Appendix

IFRS16 – Estimated Impact

KEY HIGHLIGHTS

- We are adopting IFRS16 for FY20
- Significant change on the financial statements, but no impact upon Group cash flows or how we manage our business
- Recognises the lease liability on the balance sheet and a right to use the asset
- The lease liability is the discounted value of future lease payments and at commencement the right to use the asset is equal to this. Average discount rate 5.2%
- Changes to the Statement of Comprehensive Income:
  - The rental expense is replaced by an amortisation charge on the right to use asset, which is straight line
  - Lease liability decreases by cash rental payments, net of interest charged
- The interest charge is 'front-end' loaded reflecting the 'younger' lease profile and is dilutive in the early years of a lease

P&L ESTIMATED IMPACT £m

- The indicative impact in FY19 would have been as follows:

	FY19 Reported	*IFRS16 Adjustments*	*FY19 Pro-Forma*
EBITDA	*315*	*167*	*482*
Depreciation	*(50)*	*(126)*	*(176)*
Operating Profit	*265*	*41*	*306*
Interest	*(15)*	*(55)*	*(70)*
Profit Before Tax	*249*	*(14)*	*235*

The overall PBT would have been impacted by c. 5% in FY19

BALANCE SHEET ESTIMATED IMPACT £bn

- A c. £1.1bn lease liability would be recognised relating to the future contractual cash liabilities on leases
- A c. £1.0bn right to use asset would be recognised
- Lease adjusted leverage increases to c. 3.6x