



***B&M European Value Retail
FY21 Interim Results Presentation
26 weeks to 26 September 2020***

H1 FY21 Group Highlights

- Group revenues increased by +25.3% to £2,242.1m
 - B&M UK LFL revenues were +23.0% with Q1 +26.9% and Q2 +19.1%
 - 9 gross new B&M UK store openings and 8 closures, a net increase of 1
 - 7 gross new store openings at Heron, net 6 openings
 - 4 new stores opened in France with 2 closures, 37 stores now under the 'B&M' banner
- Group adjusted EBITDA increased by +95.3% to £295.6m
 - B&M UK adjusted EBITDA growth of +100.0% to £274.7m
- Adjusted diluted EPS of 20.1p, an increase of 128.4%
- Net cash flows from operating activities up 148.2% to £343.0m, with pre-IFRS16 leverage now only 0.7x
- Proposed interim dividend of 4.3p and a further special dividend of 25.0p to return £250m of surplus cash to shareholders



Paul McDonald

Chief Financial Officer



Summary Profit and Loss

<i>£ millions,</i>	<i>H1 FY20¹</i>	<i>H1 FY21</i>	<i>% Change</i>
Group Stores	1,034	1,059	2.4%
Revenue	1,788.7	2,242.1	25.3%
Gross Profit	613.7	801.5	30.6%
%	34.3%	35.7%	144 bps
Operating Costs	(462.3)	(505.9)	9.4%
Adjusted EBITDA	151.4	295.6	95.3%
%	8.5%	13.3%	484 bps
Depreciation and Amortisation	(28.2)	(30.1)	7.0%
Interest	(12.2)	(11.9)	-3.1%
Adjusted Profit Before Tax	111.0	253.6	128.5%
Adjusting Items	4.6	(4.7)	(201.3)%
Exceptional Interest	-	(4.5)	-
Profit Before Tax from Continuing Operations (pre-IFRS16)	115.6	244.4	111.6%
IFRS16 Impact ²	(9.5)	(8.7)	-
Statutory Profit Before Tax from Continuing Operations	106.0	235.6	122.4%
Adjusted Diluted EPS (p) from Continuing Operations	8.8p	20.1p	128.4%
Statutory Diluted EPS (p) from Continuing Operations	8.4p	18.7p	122.6%

Pre-IFRS16

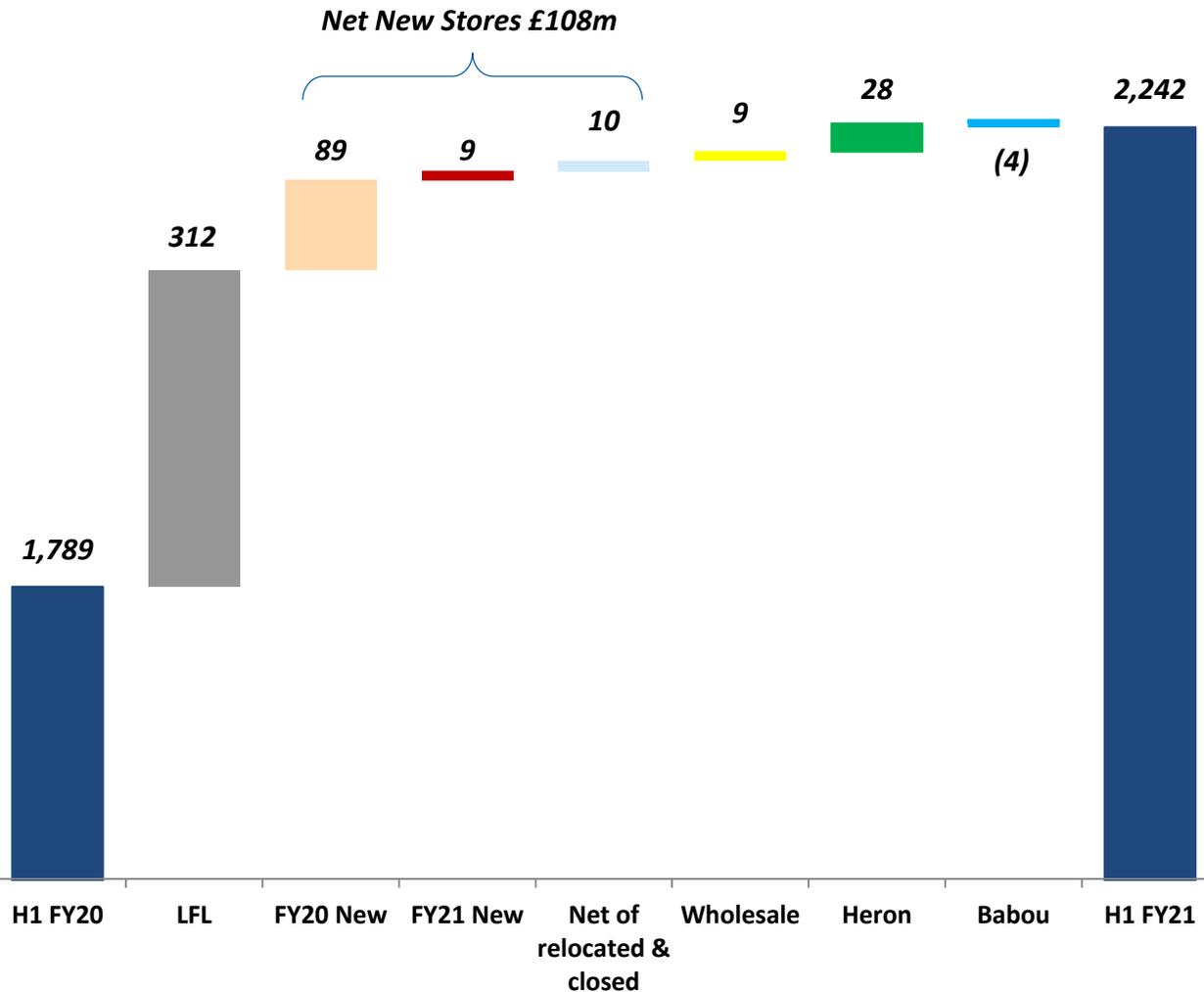
1. The results for H1 FY20 have been restated to exclude Jawoll following the disposal on 27 March 2020
 2. Appendix 1 contains a reconciliation of the IFRS16 adjustments



Group Revenue Bridge

H1 REVENUE FY20-FY21

£ millions,



- Total Group revenue growth of +25.3%
- B&M UK revenue growth +29.5%, with LFL +23.0%
 - New store programme delivered +£108m
 - Wholesale revenue increase of +£9m
- Heron revenue growth +14.8%
 - Positive LFL growth
 - Impact of 6 net new stores and annualisation of FY20 openings
- £141m of revenues from Babou: lost c.£33m of revenue whilst closed for first 6 weeks of FY21 but pleasing LFL growth for the remainder of H1

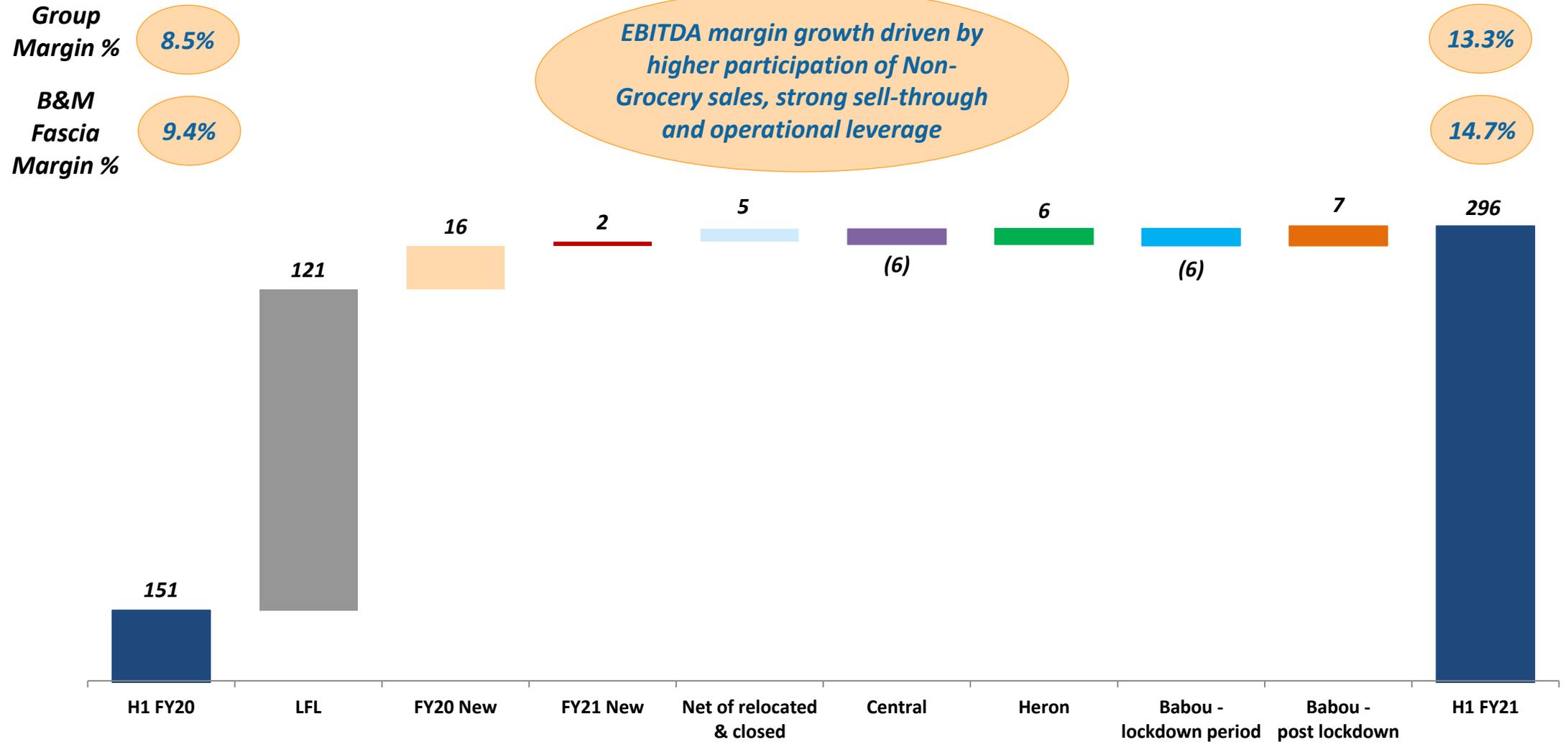
Note: H1 FY20 has been restated to exclude Jawoll following the disposal on 27 March 2020



Continued UK EBITDA Growth

ADJUSTED EBITDA BRIDGE H1 FY20-FY21

£ millions,



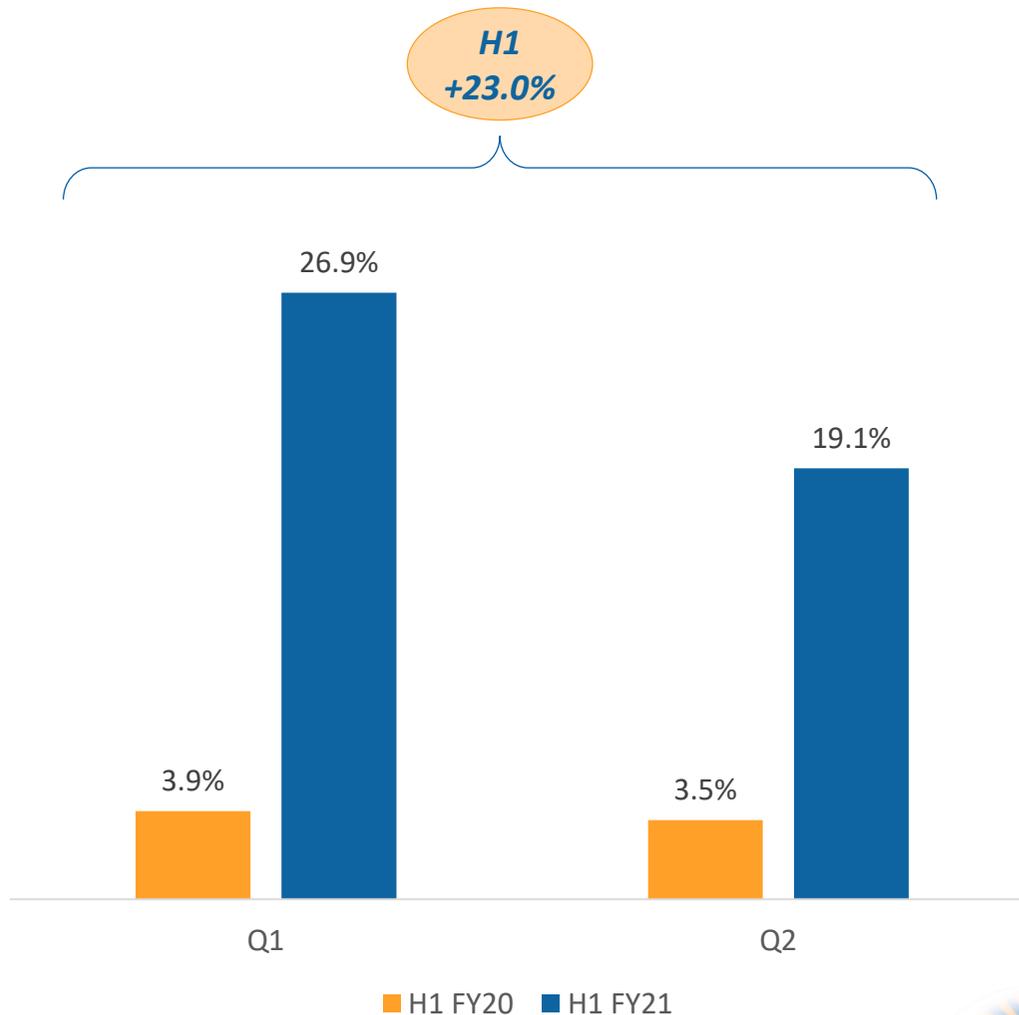
Note: H1 FY20 has been restated to exclude Jawoll following the disposal on 27 March 2020



B&M UK Fascia LFL Sales



H1 FY21 SALES LFL



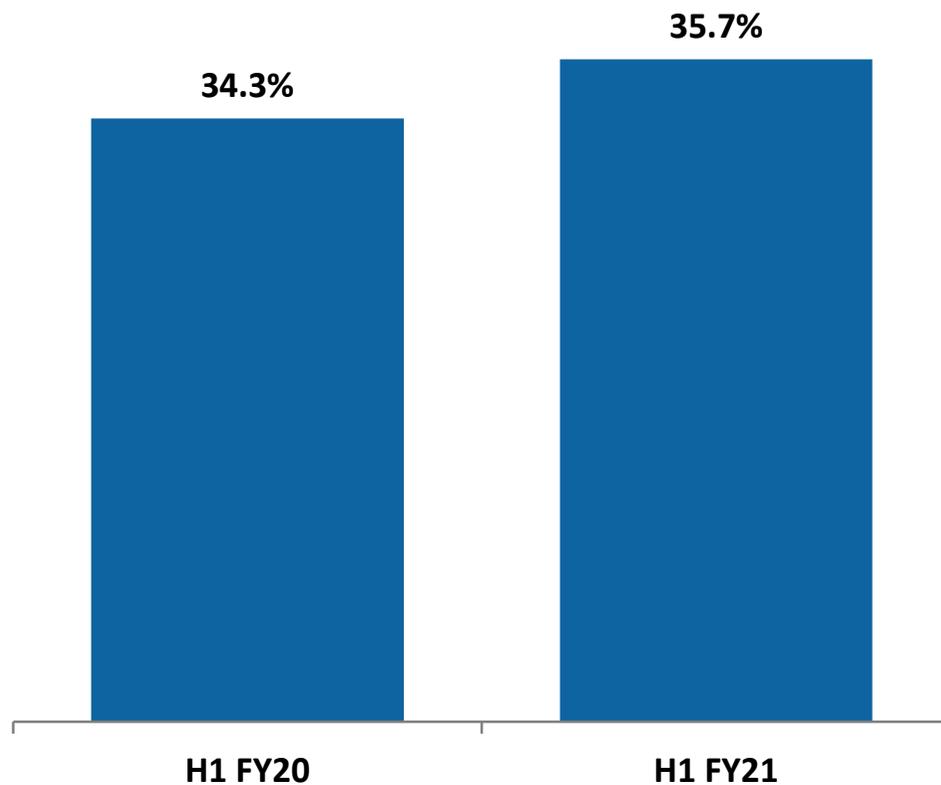
COMMENTARY

- H1 LFL revenue growth of +23.0%
- Significant increase in Average Transaction Value has more than offset the reduction in transaction volumes
- Out of Town locations have outperformed Town Centre locations, but both delivered strong positive LFL
 - Out of Town represents c.80% of revenues
- LFL performance was broad based across both Grocery and Non-Grocery categories
- The performance was also geographically broad based, with all 5 regions across the UK delivering LFL of >20% in H1



Group Gross Margin Performance

GROUP GROSS MARGIN (%)



KEY HIGHLIGHTS

- B&M UK fascia gross margin 176 bps higher than last year
- Mix shift towards Non-Grocery due to popularity of ranges such as Homewares, DIY and Gardening
- Non-Grocery had high sell-through on Seasonal and so benefitted from limited markdown activity
- Gross margin on FMCG / Grocery was stable
- Heron gross margin broadly flat
- Babou traded at a 41.9% gross margin vs 40.9% last year, despite loss of 6 weeks' trade during the first lockdown in France



Group Operating Costs

£ millions,

	H1 FY20 ¹	H1 FY21
B&M	358.0	399.8
Heron	47.1	49.9
France	57.2	56.2
Adjusted Costs exc IFRS16	462.3	505.9
Depreciation exc leases	28.2	30.1
IFRS16 Depreciation	70.9	75.0

% of Revenue

B&M	24.6%	21.2%
Heron	25.0%	23.1%
France	39.7%	40.0%
Adjusted Costs exc IFRS16	26.0%	22.8%
Depreciation exc leases	1.6%	1.3%

KEY HIGHLIGHTS

- B&M UK fascia operating costs 338 bps lower than last year as a percentage of revenues
- Business rates relief of c.£35m for H1 substantially offset by incremental costs of social distancing
- Operating leverage on fixed store and support centre cost base
- Reduced transport costs offset by higher warehousing costs
- Heron also delivered operating leverage of 195 bps
- Babou operating costs as a percentage of revenues slightly higher than last year due to lost sales during closure period
- IFRS16 depreciation on right of use assets was £75.0m

1. H1 FY20 has been restated to exclude Jawoll following the disposal on 27 March 2020



Group Interest Expense

£ millions,

	H1 FY20 ¹	H1 FY21
Cash Interest	11.0	11.1
Amortised Fees	1.2	0.8
Total	12.2	11.9
Exceptional Interest	-	4.5
Total	12.2	16.4
IFRS16 Interest	28.5	30.5

KEY HIGHLIGHTS

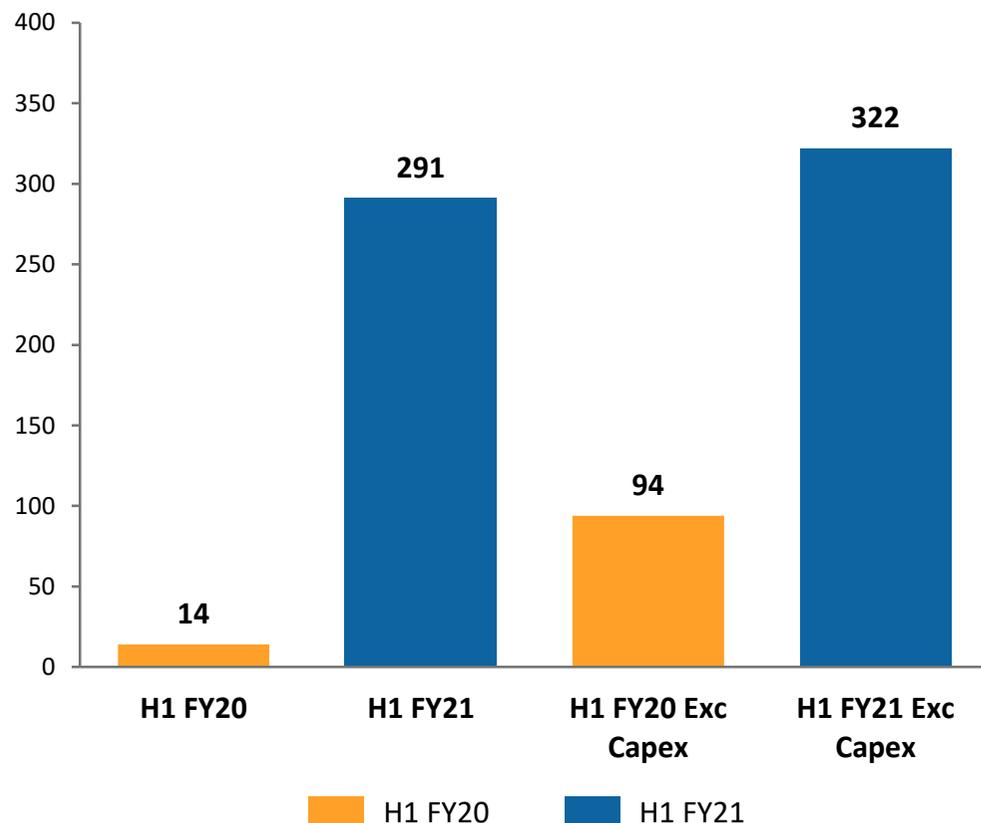
- Interest and amortised fees relate to third party bank debt and High Yield Bond
- £4.5m exceptional interest charge relates to unamortised fees on previous facilities being written off and redemption interest on existing bond
- Group completed a re-financing in July 2020
 - Maturity on both £300m loan facility and £155m Revolving Credit Facility extended to April 2025
 - Issue of a £400m High Yield Bond, maturing in July 2025
 - Amortisation of refinancing fees to be c.£2m per annum
 - Ongoing cash interest expense of c.£22m per annum
- IFRS16 interest charge was £30.5m

1. H1 FY20 has been restated to exclude Jawoll following the disposal on 27 March 2020



Cash Flows Pre-IFRS16

OPERATING CASH FLOW £m



Net debt / adjusted EBITDA of 0.7x on a pre-IFRS16 basis.
This increases to 1.2x on a pro-forma basis in relation to the £250m Special Dividend.

CASH FLOW STATEMENT

£m	H1 FY20	H1 FY21
Adjusted EBITDA (pre-IFRS16)	151.4	295.6
<i>Change in Working Capital</i>	(56.9)	27.1
New Store Capex	(25.1)	(14.2)
Infrastructure / Freehold Capex	(31.3)	(8.3)
Maintenance Capex	(23.8)	(9.0)
Total Capex	(80.2)	(31.5)
Operating Cash Flow	14.3	291.2
Tax	(28.6)	(60.2)
<i>Disposals¹</i>	(11.7)	9.1
<i>Other²</i>	1.1	4.1
Operating and Investing Cash Flow	(24.8)	244.2
Net debt / adjusted EBITDA	2.2x	0.7x

1. Includes the impact of the Jawoll disposal in FY20 and the receipt of the deferred consideration in FY21

2. Includes interest and dividends receivable



Simon Arora

Chief Executive Officer



RESPONSE SO FAR

- Classified early in crisis as an “essential retailer” by UK Government, given our c.£2bn p.a. of Grocery sales, over 4 million weekly shoppers and the role we play in serving local communities
- Rapidly implemented social distancing guidelines at all stores including provision of PPE, occupancy limits, social distancing marshals and enhanced cleaning regimes
- Leveraged 30 year trading relationships with Chinese suppliers to maintain good stock availability, with trading boosted by exceptionally good Summer weather combined with our breadth of range and excellent value
- Out of Town stores are more appealing than town centre or shopping mall locations which are typically more crowded and reliant on public transport
- At peak of the first lockdown, front line colleague pay increased to 110%, plus £1m Foodbank cash donation and £2.9m discount for NHS workers
- We have now repaid £3.7m received under the UK Government’s CJRS during the Spring lockdown, and have created over 1,800 new jobs during H1

ONGOING UNCERTAINTIES

- Significant uncertainty surrounding both the nature and duration of Covid-19 restrictions, which may impact trading and new store shopfitting
- Welsh restriction on non-essential goods impacted 43 B&M stores for 17 days
- Heron should be largely insulated as a convenience grocery retailer
- Approximately half of the Babou/B&M France stores remain open, but currently restricted to selling essential goods only during the current November 2020 lockdown with a likely c.€5m adjusted EBITDA loss
- Spending during peak Golden Quarter trading period may be dampened by macro-economic factors and a general lack of consumer confidence
- Alternatively, ongoing travel, leisure and hospitality restrictions may lead to elevated spending on Home Improvement and affordable treats (Confectionery, Alcohol, Gifting)
- The LFL sales base for FY22 remains uncertain, with the strong FY21 performance reflecting both one-off and underlying benefits





Who is the B&M Customer? (1 of 2)

BARCLAYCARD SEGMENT THE UK SHOPPER POPULATION INTO 10 CUSTOMER TYPES

Students

Young adults in education

Age	Wealth	Family
18-24	Low-Mid	Y/N

Insta Appetite

Recent graduates and young adults

Age	Wealth	Family
18-24	Low-Mid	No Children

Dynamic Workforce

Young adults with no children on low incomes

Age	Wealth	Family
25-49	Low-Mid	No Children

Prime Shoppers

Affluent adults with high value and frequent spend

Age	Wealth	Family
25-49	Mid-High	No Children

Family Backbone

Families on tight budgets

Age	Wealth	Family
25-49	Low-Mid	Have Children

Affluent Centre Stage

Affluent and stable families with successful careers

Age	Wealth	Family
25-49	Mid-High	Have Children

Rare Indulgence

Poorer group with low income and low spend

Age	Wealth	Family
50-64	Low-Mid	Y/N

Emerging Eagles

With grown up children, they regain their spare time for hobbies, travel and shopping

Age	Wealth	Family
50-64	Mid-High	Y/N

Core Necessity

Low to medium retirement funds mean that this group of older, likely retired customers, is on a budget

Age	Wealth	Family
65+	Low-Mid	Y/N

Quality Fanatics

Better off retirees who don't shop often, but when they do, they prioritize quality and can afford splash out or treat family

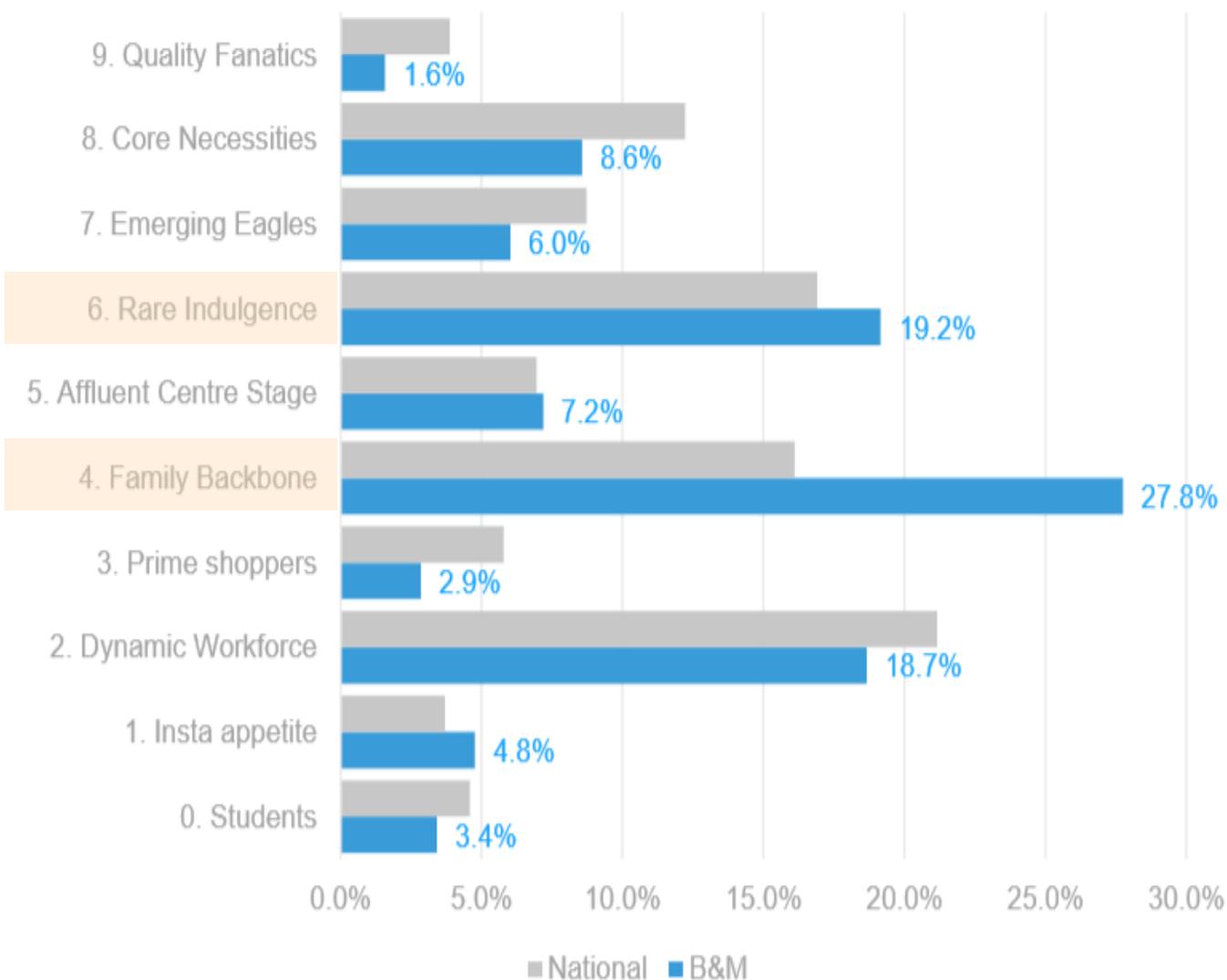
Age	Wealth	Family
65+	Mid-High	Y/N





Who is the B&M Customer? (2 of 2)

CUSTOMER DISTRIBUTION IN JUNE 2020



Barclaycard data indicates that 23% of B&M customers in June 2020 had not shopped with B&M in the prior 5 months

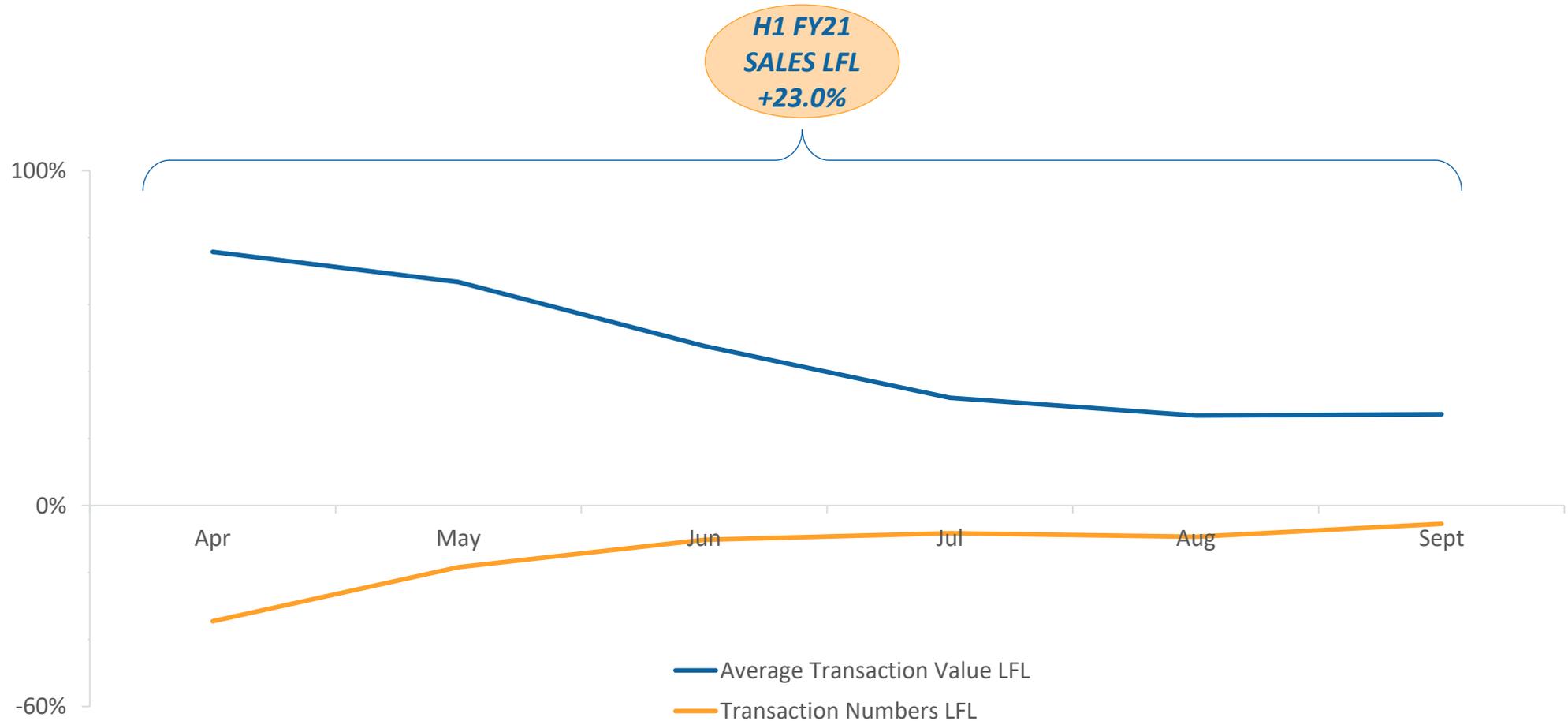
Source: Barclaycard Market & B&M Customer Insights Report, August 2020



Highly elevated ATV, offset by lower transaction numbers



AVERAGE TRANSACTION VALUE AND TRANSACTION NUMBERS LFL



Note: Data shown for B&M UK business only



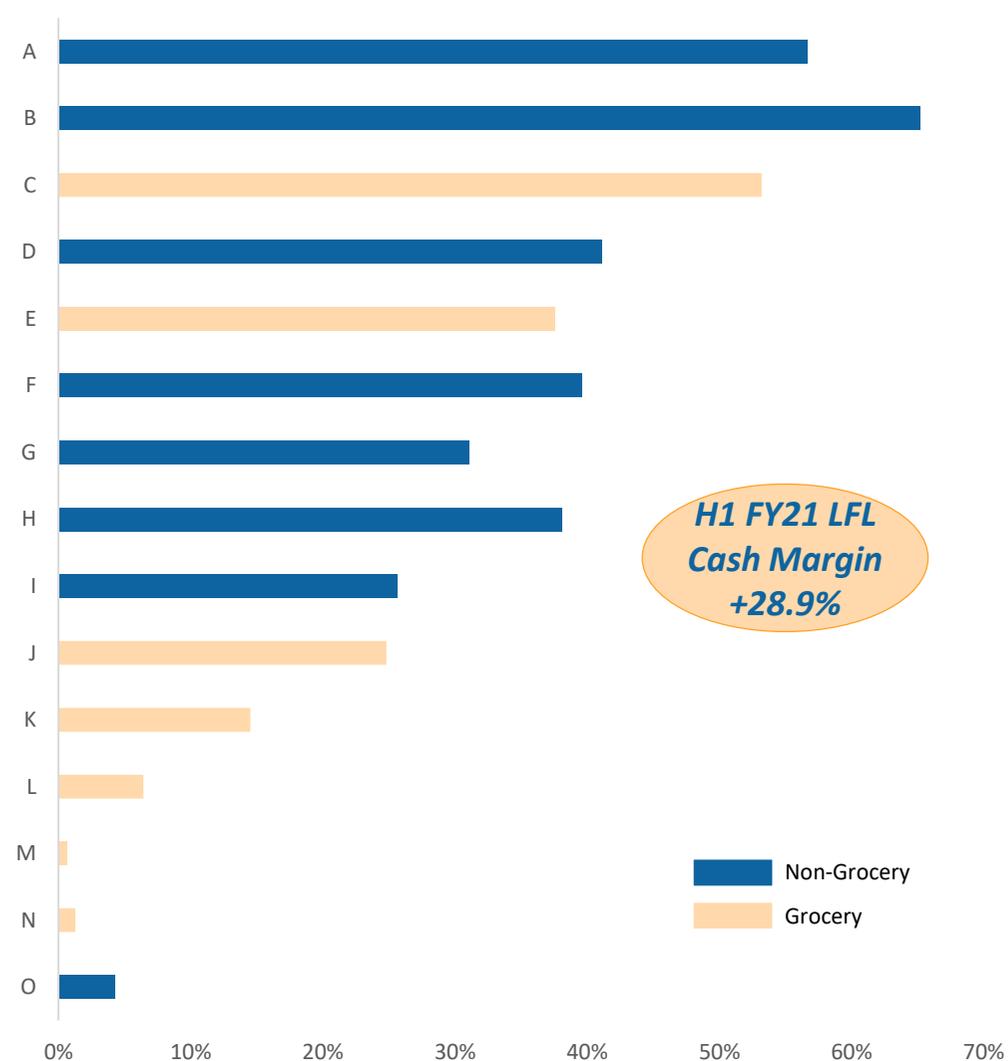


Broad based LFL growth across categories

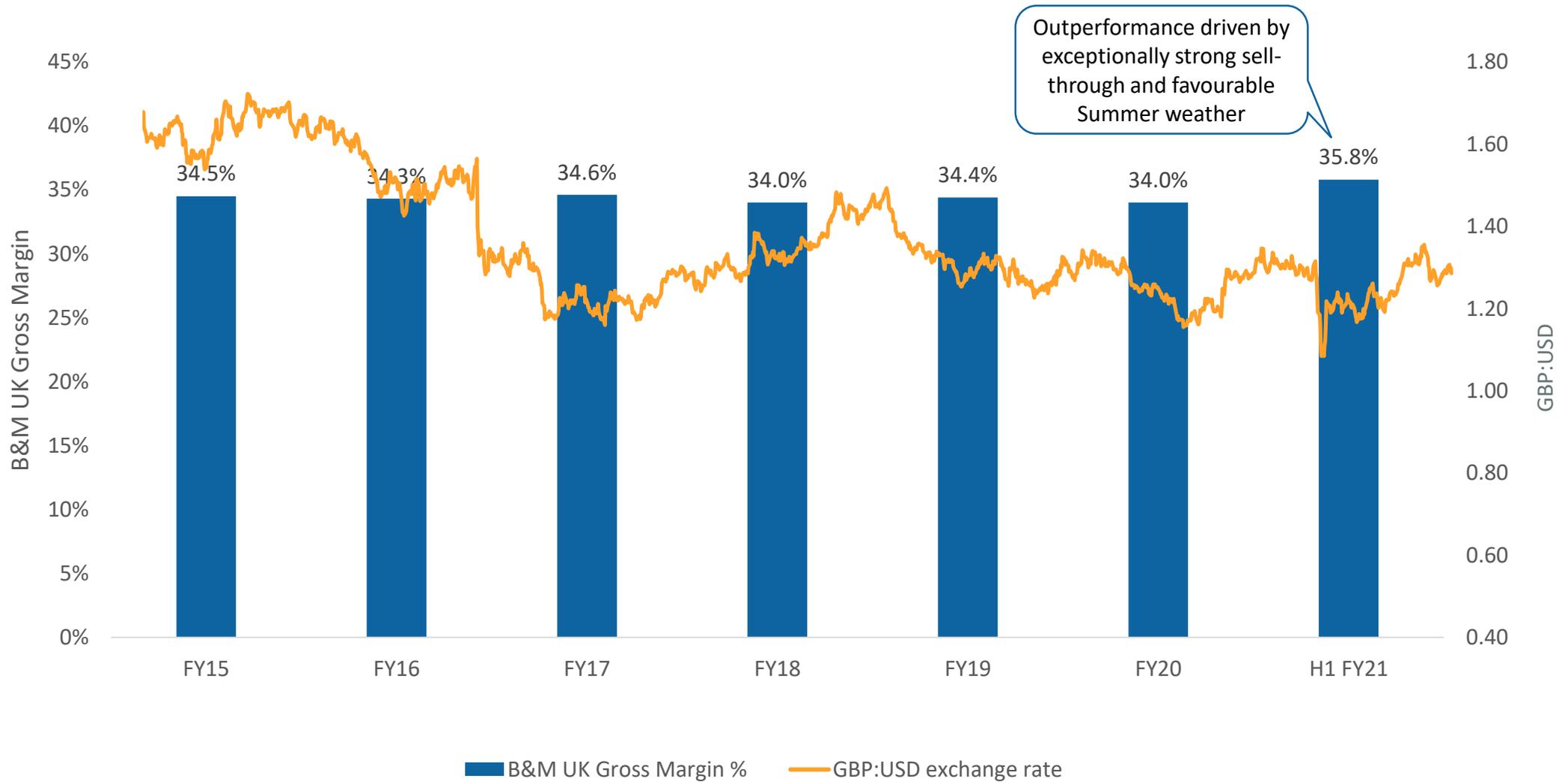
H1 FY21 CATEGORY LFL SALES %



H1 FY21 CATEGORY LFL MARGIN %



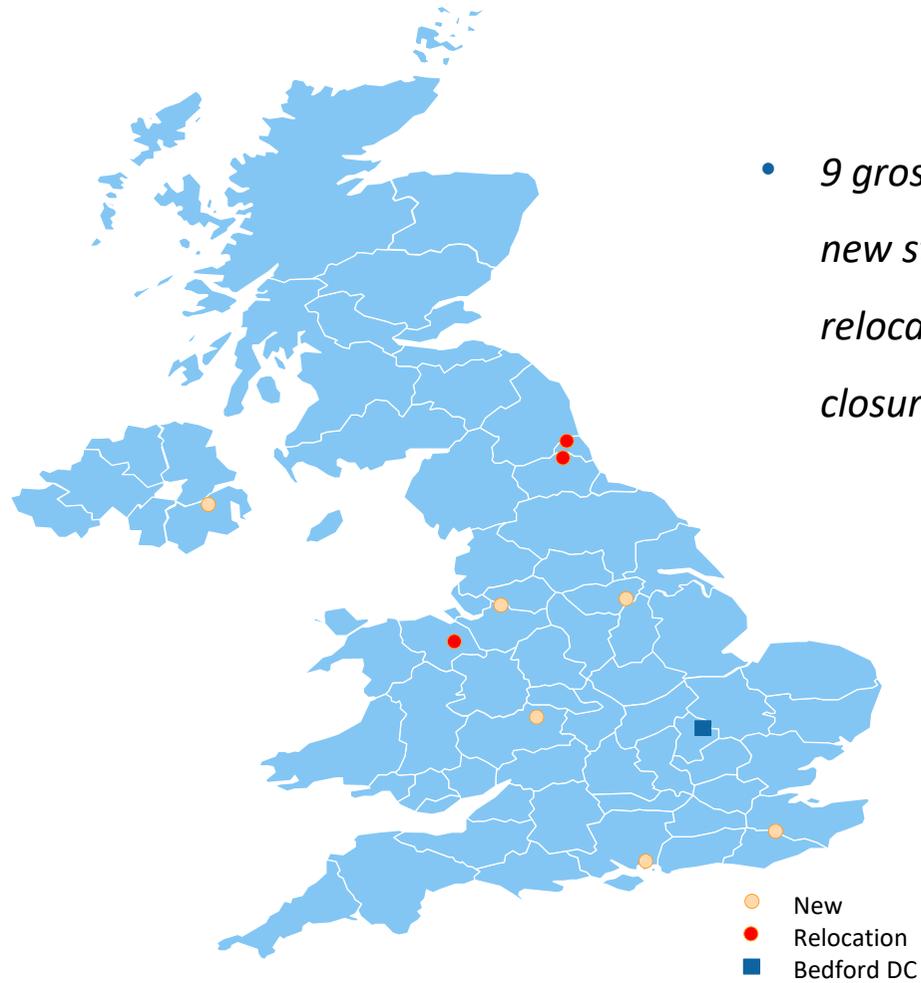
Multi-year resilient Gross Margin



B&M UK Store Rollout



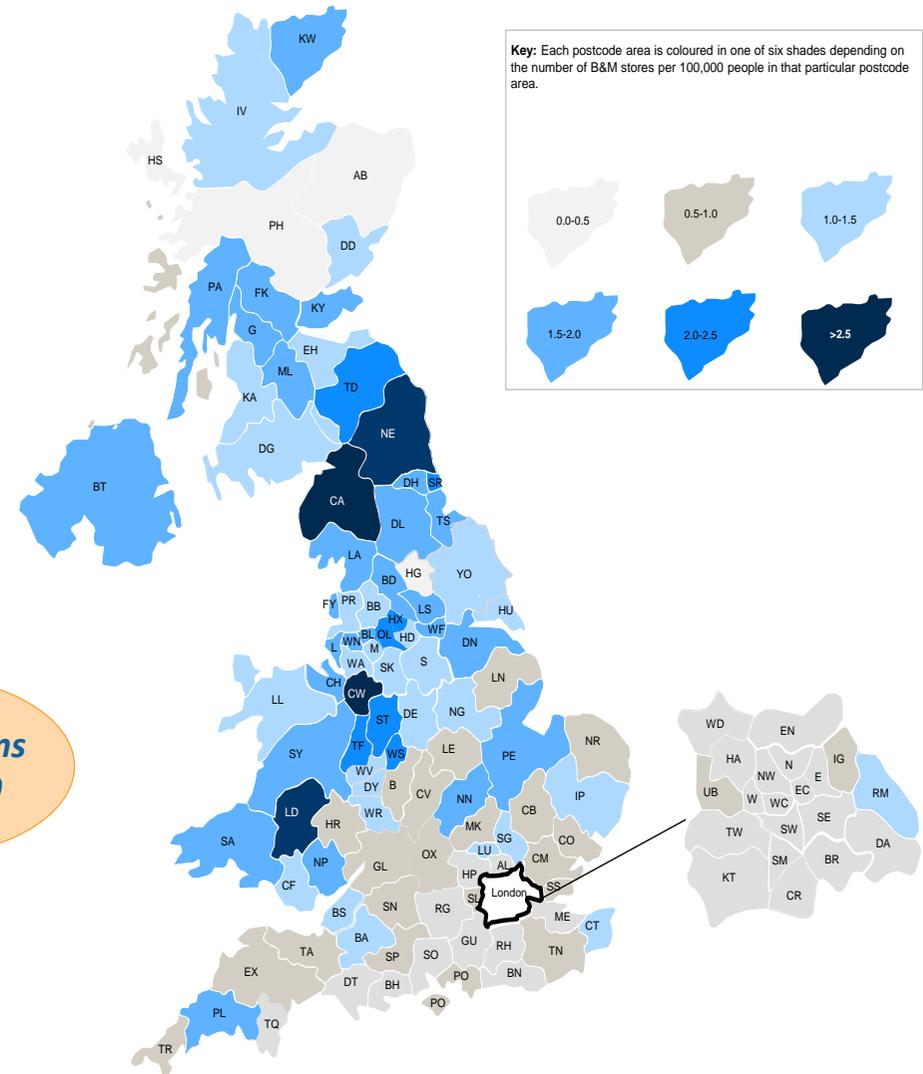
H1 FY21 OPENINGS



UK store target remains at least 950 stores



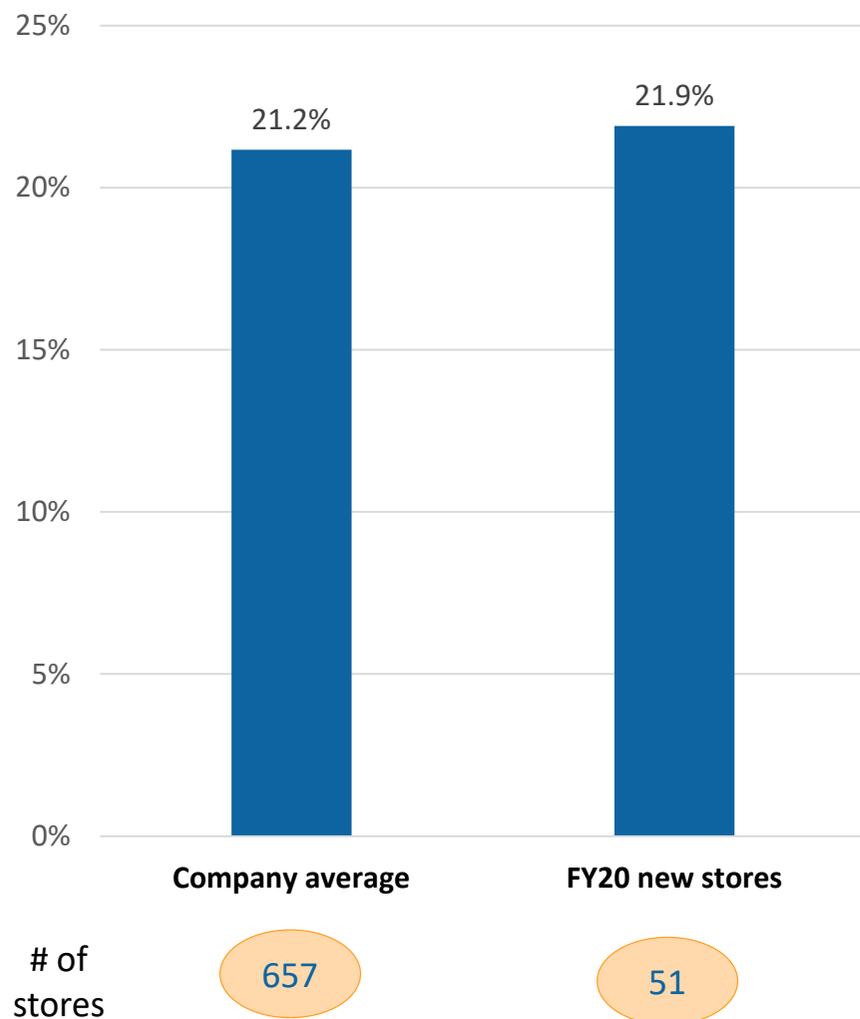
657 STORES AT SEPTEMBER 2020





Recent New Store Cohort Performing Well

HI FY21 STORE CONTRIBUTION %



COMMENTARY

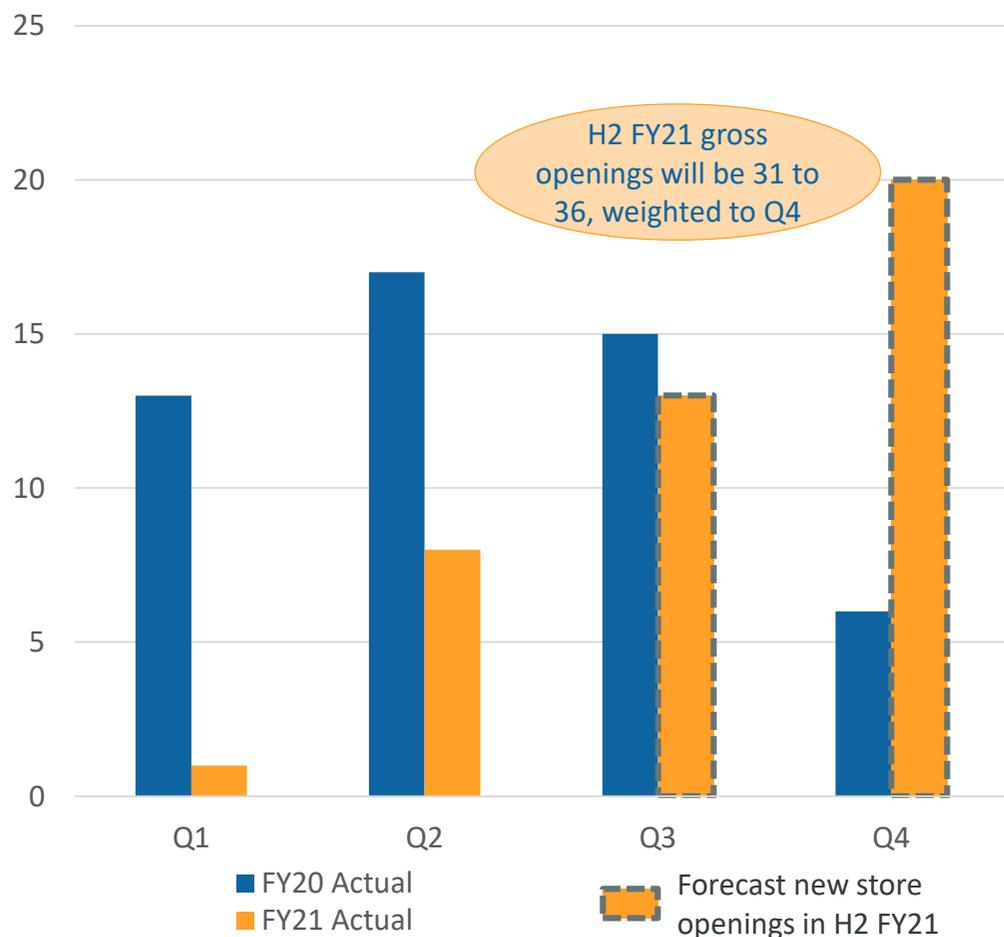
- Over H1 FY21, the cohort of stores opened in FY20 slightly outperformed the company average
- Our stores do not typically need a 'maturity curve'
- We target a sales area of c.20,000 sq. ft; ideally Out of Town with convenient parking

Note: Store contribution is defined as gross profit less directly attributable store costs



Update on FY21 New Store Programme

GROSS NEW STORE OPENINGS

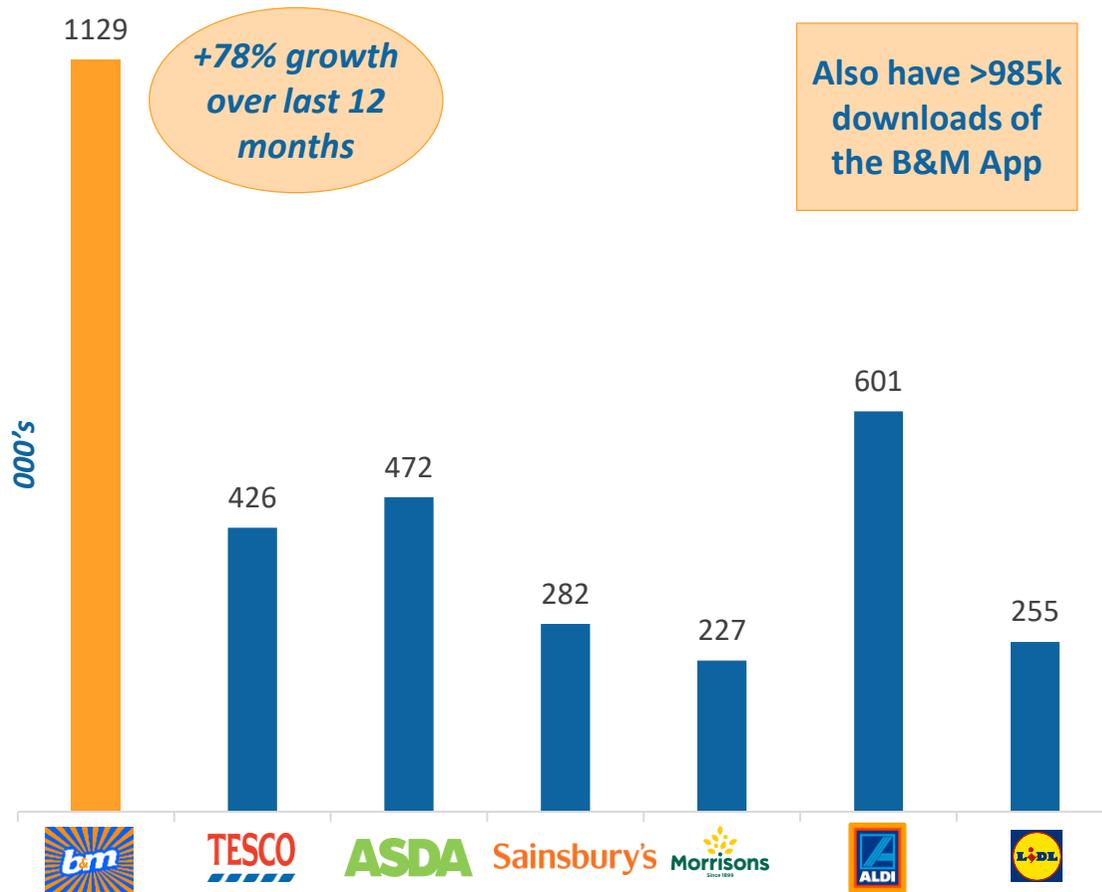


COMMENTARY

- Q1 and Q2 heavily impacted by lockdown and Covid-19 disruption on commercial property market
- Recent pick-up in leasing activity has boosted FY21 openings
- Now expect 40 to 45 gross new store openings, equating to 30 – 35 net new stores
- These openings are heavily weighted to the end of Q3 and the end of Q4, assuming Q4 openings are not further delayed by construction restrictions
- The material benefit of FY21 new stores will be the full year revenues in FY22
- FY22 pipeline looking healthy, with 25 stores already in legals

Social Media Update

INSTAGRAM FOLLOWERS AT SEPTEMBER 2020



CUSTOMERS LOVE B&M

PARTNER: WHAT ARE YOU BUYING IN B&M?

ME: I MEAN, THAT'S NOT HOW IT WORKS. B&M WILL LET ME KNOW WHEN I GET THERE.

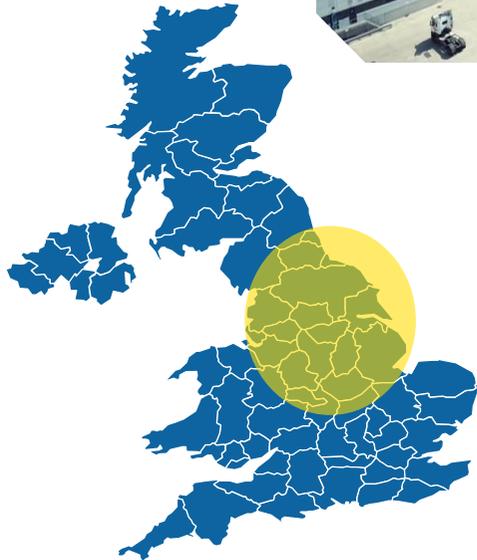
Me arriving at B&M:

I promise I won't buy much today...

Me after 2 Aisles:

I'll have that marble clock, kettle and dinner set, those tartan cushions to go with this grey thow, the hobnobs, reeses and nutella for a treat...
oooo what's down this aisle?





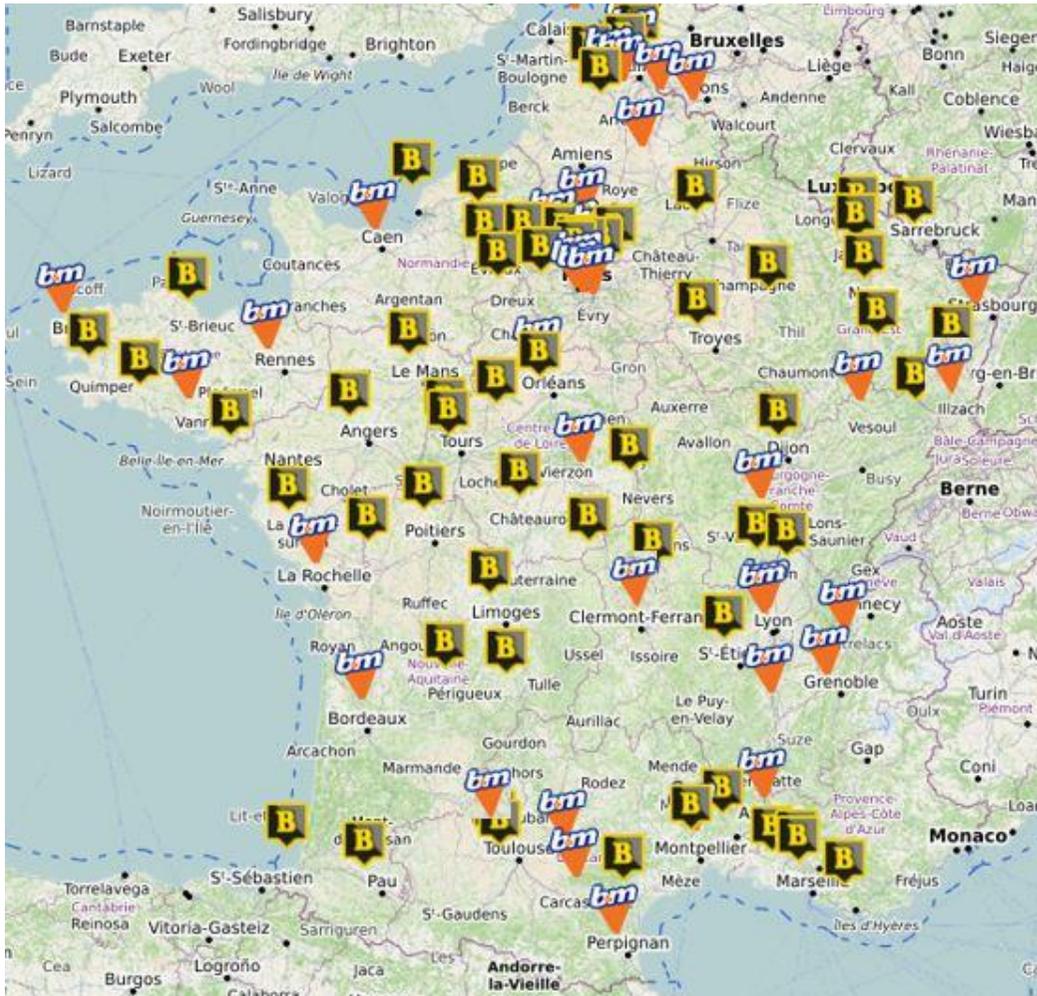
HIGHLIGHTS

- Heron was acquired on 2 August 2017 at an Enterprise Value of £152m
 - LTM adjusted EBITDA of £31.5m represents EV/EBITDA ratio of 4.8x
- Performance continues to be pleasing, with a positive LFL performance in H1
- Stable gross margin with an outperformance in adjusted EBITDA margin due to operational leverage on fixed costs and business rates saving of c.£3m in H1
- FY21 store opening programme on track for 20 gross new stores, representing 16 net new stores after closures, but weighted towards Q4
- Stable and experienced management team



Babou France Update

HIGHLIGHTS



- At H1 FY21 had a total of 103 stores, of which 37 were under the 'B&M' banner
 - 4 gross new stores opened over H1, with 2 stores closed
- Babou generated adjusted EBITDA of £2.7m in H1, despite a cumulative EBITDA loss of £5.7m during weeks 1 to 6 when all stores were closed due to lockdown in France
- Clothing and Footwear currently c.20% of sales, down from c.28% in H1 FY20
- Spring/Summer seasonal ranges bought using B&M supplier base were successfully launched, with good sell-through despite 6 week closure
- Approximately half of the stores remain open, albeit selling essential items only (forming a very much smaller proportion of the offer than in the UK) and with significantly reduced footfall
 - Expect to make a c.€5m adjusted EBITDA loss during the November 2020 lockdown

Capital Structure

DE-LEVERAGING PROFILE

- In the current uncertain macroeconomic outlook we are taking a prudent approach to our capital structure and returns
- Net debt / adjusted EBITDA at H1 FY21 is 0.7x on a pre-IFRS16 basis, remaining comfortably within our stated leverage ceiling of 2.25x
- Ordinary half year dividend increased by 59.2% to 4.3p per share
- Special dividend of 25.0p per share (equating to c.£250m in total) to return surplus cash to shareholders
 - Increases H1 FY21 leverage to only 1.2x on a pro-forma basis
- Not currently evaluating any further acquisition opportunities
- Continue to evaluate our leverage and surplus cash position in line with our capital allocation framework

CAPITAL ALLOCATION FRAMEWORK

UK STORE ROLLOUT AND INVEST IN BABOU

ORDINARY DIVIDEND

M&A OPPORTUNITY

RETURN SURPLUS CASH TO SHAREHOLDERS



Q3 Trading and Outlook for FY22

- LFL sales growth in the B&M UK fascia is expected to moderate over H2, but so far in Q3 has been at a similar level to H1.
- New store pipeline has improved, but openings for both the B&M UK and Heron Food businesses will be significantly back-end weighted in both Q3 and Q4, assuming Q4 openings are not further delayed by construction restrictions.
- In the UK stores, our broad range of essential goods and convenient Out of Town locations leaves us relatively insulated from the broader challenges over the Golden Quarter trading period.
- Approximately half of the Babou/B&M France stores remain open but restricted to selling essential goods only during the current lockdown, with a likely c.€5m adjusted EBITDA loss for November 2020.
- In light of the significant uncertainty surrounding ongoing Covid-19 restrictions, the range of potential outcomes for FY21 remains unusually wide at this stage of the year.



Summary

- The safety of our colleagues and customers remains paramount. Our store and support centre teams have adapted well, at speed and we have created over 1,800 new jobs. We stand ready to continue serving the communities in which we trade as the health crisis continues.
- Our business model has proved resilient; we remain highly profitable and cash generative.
- The appeal of our value proposition is broadening, providing an opportunity to retain the loyalty of new customers who have discovered B&M during the past six months, and we have a long growth runway to our current UK store target of 950 stores.
- Our longer term strategy is unchanged – we remain in a strong position to continue to grow profitably in the UK and develop the proposition in France once the disruption caused by Covid-19 has passed.



Questions and Answers



Appendix



IFRS16 Profit and Loss Account Reconciliation

Appendix 1

<i>£ millions,</i>	H1 FY20 Pre-IFRS16	IFRS16 Adjustments	H1 FY20 Post-IFRS16	H1 FY21 Pre-IFRS16	IFRS16 Adjustments	H1 FY21 Post-IFRS16
Revenues	1,788.7	-	1,788.7	2,242.1		2,242.1
Gross Profit	613.7		613.7	801.5		801.5
Operating Costs	(462.3)	89.8	(372.5)	(505.9)	96.8	(409.1)
Adjusted EBITDA	151.4	89.8	241.2	295.6	96.8	392.4
Depreciation and Amortisation	(28.2)	(70.9)	(99.1)	(30.1)	(75.0)	(105.1)
Interest	(12.2)	(28.5)	(40.7)	(11.9)	(30.5)	(42.4)
Adjusted Profit Before Tax	111.0	(9.6)	101.3	253.6	(8.7)	244.8
Adjusting Items	4.6	-	4.6	(4.7)	-	(4.7)
Exceptional Interest	-	-	-	(4.5)	-	(4.5)
Profit Before Tax	115.6	(9.6)	106.0	244.4	(8.7)	235.6

