

# WHSmith PLC

Interim Results 2002



**John Warren**  
**Finance Director**



# Group Sales Performance

## WH Smith PLC

*Results - 6 months to  
28 February 2002*

	6 mths to Feb 2002 £m	6 mths to Feb 2001 £m	LFL Growth %	6 wks LFL Growth %
UK Retailing	868	803	6%	3%*
International Retailing				
US Travel	100	114	(18%)	(8%)
ASPAC	75	8	9%†	3%* 2
Publishing	65	68	(4%)	
News Distribution	538	507	6%	7%
<b>Total Sales</b>	<b>1,646</b>	<b>1,500</b>	<b>4%</b>	
Internal Sales	(64)	(62)	3%	
<b>Total External Sales</b>	<b>1,582</b>	<b>1,438</b>	<b>4%</b>	

\* Underlying  
† Pro forma basis



# Group Profit Bridge

## WH Smith PLC

Results - 6 months to  
28 February 2002

	<u>£m</u>	<u>£m</u>
Profit before tax and exceptional items - 2001		100
<b>UK Retailing</b>		5
<b>US Travel Retail</b>	(18)	
<b>ASPAC</b>	<u>5</u>	
International Retailing		<u>(13)</u>
Total Retailing		(8)
<b>Publishing</b>		-
<b>News Distribution</b>		2
<b>Central Costs</b>		(1)
<b>Interest</b>		(3)
Profit before tax and exceptional items - 2002		<u><u>90</u></u>



# UK Retailing Summary

## WH Smith PLC

*Results - 6 months to  
28 February 2002*

	2002	2001	Growth
	£m	£m	%
Sales	868	803	8%
<b>Net Contribution</b>	<b>164</b>	<b>154</b>	
<b>Rent</b>	<b>(82)</b>	<b>(77)</b>	
PBIT	82	77	6%
<i>Net Margin</i>	9.4%	9.6%	
<b>Stores</b>	<b>737</b>	<b>719</b>	
<b>Average square feet</b>	<b>3,202</b>	<b>3,129</b>	<b>2%</b>



# UK Retailing Gross Contribution Bridge

**WH Smith PLC**

*Results - 6 months to  
28 February 2002*

	High Street	UK Travel	Total
	£m	£m	£m
Volume	21	4	25
Rate	(1)	-	(1)
Mix	(5)	-	(5)
<b>Total</b>	<b>15</b>	<b>4</b>	<b>19</b>



# UK Retailing Profit Bridge

## WH Smith PLC

Results - 6 months to  
28 February 2002

	£m	% Sales Movement	% Sales
	<u>          </u>	<u>          </u>	<u>          </u>
2001 - PBIT	77		9.6%
<b>Gross Contribution</b>	<b>19</b>	<i>(0.7%)</i>	
<b>Costs</b>			
- rent	(5)	0.2%	
- store	(5)	0.3%	
- other	(4)	-%	
		<u>          </u>	(0.2%)
2002 - PBIT	<u>82</u>		<u>9.4%</u>



# US Travel Retail Summary

## WH Smith PLC

*Results - 6 months to  
28 February 2002*

	2002 £m	2001 £m	<i>Growth</i> %
Sales	100	114	(12%)
<b>Net Contribution</b>	8	26	
<b>Rent</b>	(20)	(20)	
PBIT	(12)	6	
<i>Net Margin</i>	(12.0%)	5.3%	
<b>Stores</b>	<b>548</b>	<b>529</b>	
<b>Average square feet</b>	<b>560</b>	<b>532</b>	<b>5%</b>



# US Travel Retail Profit Bridge

## WH Smith PLC

*Results - 6 months to  
28 February 2002*

	<u>£m</u>	<u>£m</u>
2001 - PBIT		6
<b>Store Contribution</b>		
<b>Airports</b>	(8)	
<b>Hotels</b>	(8)	
	<u>          </u>	(16)
<b>Administration cost</b>		(2)
		<u>          </u>
2002 - PBIT		<u><u>(12)</u></u>



# ASPAC Summary

## WH Smith PLC

Results - 6 months to  
28 February 2002

	2002 £m	2001* £m	Growth %
Sales	75	68	10%
Net Contribution	13	11	
Rent	(8)	(8)	
PBIT	5	3	67%
<i>Net Margin</i>	6.7%	4.4%	
Stores	202	207	
Average square feet	791	787	1%

\*Pro forma basis



# Publishing Summary

## WH Smith PLC

*Results - 6 months to  
28 February 2002*

	<u>2002</u> £m	<u>2001</u> £m	<u>Growth</u> %
Sales - total	65	68	(4%)
- internal	(10)	(10)	
- <b>external</b>	<u>55</u>	<u>58</u>	(5%)
<b>Gross Contribution</b>	<b>33</b>	<b>34</b>	<b>(3%)</b>
<b>PBIT</b>	<u>9</u>	<u>9</u>	
<i>Net Margin</i>	13.8%	13.2%	



# News Distribution Summary

WH Smith PLC

Results - 6 months to  
28 February 2002

	2002 £m	2001 £m	Growth %
Sales - total	538	507	6%
- internal	(54)	(52)	
- external	<u>484</u>	<u>455</u>	6%
<b>PBIT</b>	<u>14</u>	<u>12</u>	17%
<i>Net Margin</i>	2.6%	2.4%	



# News Distribution Profit Bridge

## WH Smith PLC

Results - 6 months to  
28 February 2002

	£m	% Sales <i>Movement</i>	% Sales
	<u>          </u>	<u>          </u>	<u>          </u>
2001 - PBIT	12		2.4%
<b>Gross Contribution</b>	1	(0.5%)	
<b>Administration costs</b>	1	0.6%	
<b>National Distribution</b>	2	0.4%	
<b>SAP</b>	(2)	(0.3%)	
		<u>          </u>	0.2%
2002 - PBIT	<u>14</u>		<u>2.6%</u>



# Group Exceptional Items

## WH Smith PLC

*Results - 6 months to  
28 February 2002*

	<b>2002</b>
	<b>£m</b>
Fixed Assets	(7)
Goodwill	(6)
Stock	(7)
Debtors	(6)
Redundancy	(1)
	<u>(27)</u>



# Free Cashflow

## WH Smith PLC

*Results - 6 months to  
28 February 2002*

	2002 £m	2001 £m
Profit before tax and exceptional items	90	100
<b>Depreciation</b>	<b>28</b>	<b>24</b>
<b>Working capital</b>	<b>(82)</b>	<b>(60)</b>
<b>Capital expenditure</b>	<b>(30)</b>	<b>(35)</b>
<b>Tax</b>	<b>(18)</b>	<b>(11)</b>
<b>Provisions spend</b>	<b>(2)</b>	<b>(1)</b>
<b>Disposal of fixed assets</b>	<b>1</b>	<b>-</b>
Free cash flow	<u>(13)</u>	<u>17</u>



# Balance Sheet

**WH Smith PLC**  
*Results - 6 months to  
28 February 2002*

	<u>2002</u> £m	<u>2001*</u> £m
<b>Goodwill</b>	<b>228</b>	<b>228</b>
<b>Fixed Assets</b>	<b>338</b>	<b>319</b>
<b>Working Capital</b>	<b>131</b>	<b>116</b>
<b>Tax</b>	<b>(56)</b>	<b>(64)</b>
<b>Dividends</b>	<b>(15)</b>	<b>(15)</b>
<b>Provisions</b>	<b>(9)</b>	<b>(13)</b>
Operating Assets Employed	617	571
<b>Net Cash</b>	<b>29</b>	<b>77</b>
Total Net Assets	<u>646</u>	<u>648</u>

*Gearing inclusive of capitalised operating leases : 51%*

*\*Restated due to FRS19*



# Key Indicators

## WH Smith PLC Results - 6 months to 28 February 2002

	2002	2001*
Adjusted EPS	27.2p	28.3p
Dividend per share	6.0p	6.0p
Fixed charges cover	1.8x	2.0x
Tax charge	28%	30%

*\*Restated due to FRS19*



# Group Pension Changes

**WH Smith PLC**

*Results - 6 months to  
28 February 2002*

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- Recent valuation of final salary pension scheme assets has extinguished the historical surplus
- The final salary pension scheme will be accounted for under FRS17 from 2003 but its effect will be disclosed this year
- If FRS17 were to be applied this year then this would result in an additional £6m P&L charge
- Market volatility will mean however that it will be difficult to accurately predict future P&L final salary pension charges



# **Richard Handover**

## **Chief Executive**



# Operational Update

**WH Smith PLC**

*Results - 6 months to  
28 February 2002*

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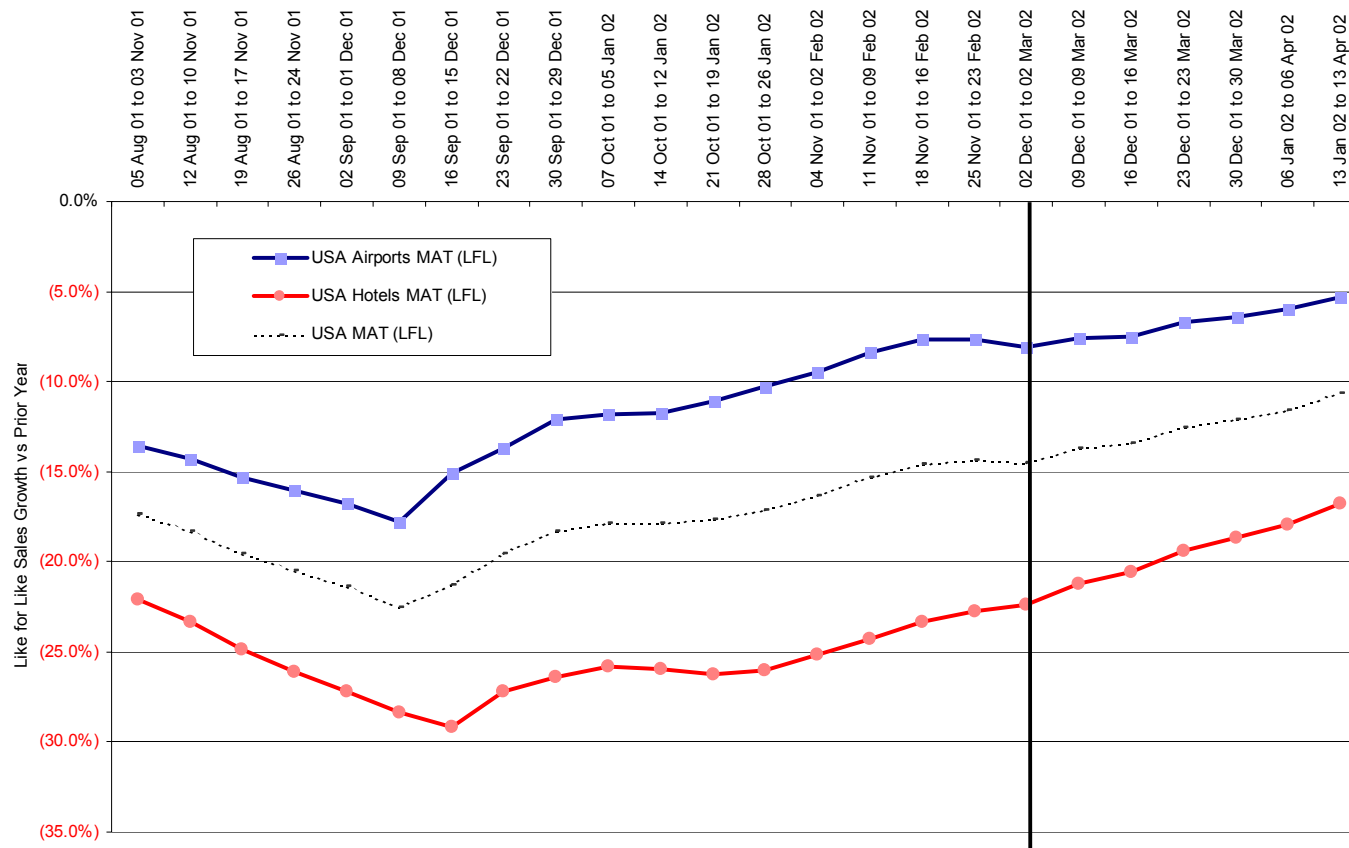
- **US Travel Retail**
  - Update & prospects for recovery
  
- **ASPAC**
  - Post-acquisition update
  
- **UK Businesses update:**
  - Publishing
  - News
  - UK Retailing



# US Travel Retail

**WH Smith PLC**  
*Results - 6 months to  
 28 February 2002*

**USA Sales Performance - 13 Week MAT (LFL)**



## Action Taken

- \$5m airport rental reductions
- Head office savings of \$3m
- 25 hotel stores closed to date



# USA Travel Retail

## Update & Prospects for recovery

**WH Smith PLC**

*Results - 6 months to  
28 February 2002*

- **Trends improving in US travel market:**
  - airport passengers forecast to grow 14% in 2003 (2002 - 12% fall)
  - hotel RevPAR forecast to increase by 4.9% in 2003
  - US GDP forecast to grow 3.5% by Q4 2002
  
- **Material recovery anticipated next financial year**
  - still a profitable growth market
  - committed to the US travel market



# ASPAC

## The Portfolio

# WH Smith PLC

Results - 6 months to  
28 February 2002

<b>COUNTRY</b>	New Zealand	Australia		Hong Kong Singapore	<b>TOTAL</b>
<b>BRAND</b>	Whitcoulls	Angus & Robertson	WHSmith		
<b>STORE NO.</b>	83	96 <sup>+</sup>	5 <sup>*</sup>	19	203
<b>PRODUCT MIX</b>	Books Magazines Entertainment Stationery	Books Magazines	Books Magazines Entertainment Stationery	Books Magazines Stationery	
<b>SALES (6 MTHS TO 28/2/02)</b>	£31m	£33m	£11m		£75m

*\*Excludes 2 WHSmith branded trial stores opened April 2002*

*+Excludes 60 franchised stores*



# Publishing

**WH Smith PLC**  
*Results - 6 months to  
28 February 2002*

- **Strong H2 2002 release profile**
- **Restructured Educational publishing division**
  - Arnold and Hodder & Stoughton integrated
  - Increased focus on new markets e.g. Nursing
  - Significant growth area
- **Working with WHSmith UK Retail**
  - 150 titles by August 2002
- **Consumer division (Hodder and Headline imprints)**
  - 8 of the Top 40 UK\* best sellers are Hodder Headline

*\*As at Feb 2002*



# News Distribution

## Focus on Recovery

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**WH Smith PLC**

*Results - 6 months to  
28 February 2002*

- **Strong trading recovery**
- **New management team providing changed focus**
- **Improving operational performance**
- **Connect2U integration**



# UK Retailing

## Operational Focus

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**WH Smith PLC**  
*Results - 6 months to  
28 February 2002*

- Largest business in the Group
- Four years of consistently strong trading
- Three areas of focus:
  - Efficiencies
  - Differentiation
  - Expansion



# UK Retailing

## Operational Focus

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**WH Smith PLC**  
*Results - 6 months to  
28 February 2002*

### Efficiencies being achieved through:

- new warehouse management system implemented in 2001
- rollout of £25m RETEK system over 2 years:
  - phase 1 : sales forecasting implemented in 2002
  - phase 2 : stock replenishment and merchandising management system in 2003

### Service Differentiation

- an additional 100 stores within the Store Transformation Programme



# UK Retailing

## Operational Focus

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**WH Smith PLC**  
*Results - 6 months to  
28 February 2002*

- **Product Differentiation**
  - Market strength
  - Brand strength
  - Innovation
- **Organic expansion - 2% space growth**
  - 10 stores opened to date - a further 14 due in H2
- **Refocus of WHSmith Online**

***Ongoing operational focus***



# Group Summary

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**WH Smith PLC**

*Results - 6 months to  
28 February 2002*

- Underlying trading good
- Substantial impact from September 11th
- US recovery anticipated

