

WH Smith PLC

2002 Preliminary Results



Richard Handover

Chief Executive



Operational Review

WH Smith PLC
2002 Preliminary Results

- Solid set of results by the majority of the Group
 - UK Retail - profits up 7%
 - Hodder - strong performance - up 19%
 - News - recovering well - up 17%
 - ASPAC - results above expectations
- Profit growth excluding US Travel - up 13%
- Undermined by US Travel performance - £16m loss



US Travel Retail

WH Smith PLC
2002 Preliminary Results

OVERVIEW & ACTIONS TAKEN

- Recap on year
 - Effect of September 11th and continued economic decline
 - Impact on sales
- Actions taken
 - Rent re-negotiations in Airports
 - Closed 39 hotel stores
 - Reduced underlying costs at home office and stores



US Travel Retail

WH Smith PLC 2002 Preliminary Results

FUNDAMENTAL REVIEW

- Hotels vs Airports

	HOTELS	AIRPORTS
WHSmith Brand	Low	High
Gross Margin	60%	55%
Stock Turn (x)	6x	10x
Supplier (No.)	900	150
Footfall	Low	High

- Scope of separation



US Travel Retail

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FUTURE PROSPECTS

- Airport Division made a positive contribution to central costs in 2002
- Air travel industry is a growth market
- Hotels will be consolidated and managed for recovery
- High fixed cost nature of stores
- Confident the business will recover

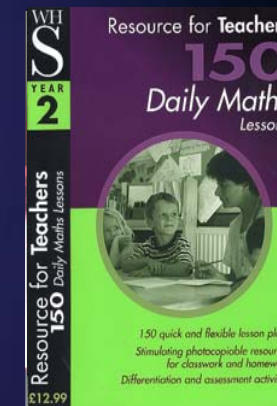
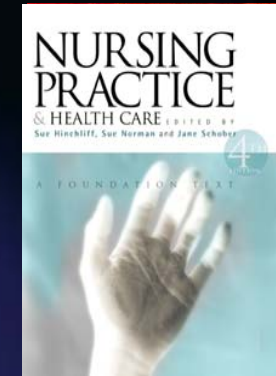
Material reduction in losses in 2003



Publishing

WH Smith PLC 2002 Preliminary Results

- Fourth year of consistently strong profit growth since acquisition
- Continued Consumer division success
- Excellent performance from Education division
 - Increased success in secondary school market
 - Acquisition of John Murray & Robert Gibson



News Distribution

- Continuing recovery
- Favourable market conditions
- New management team achieving results
- Further efficiency gains
- Competitive differentiation
- Future prospects

Strong cash generation



ASPAC

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- Strong performance following acquisition
- WHSmith trial stores



UK Retailing

WH Smith PLC 2002 Preliminary Results



UKR Operating Profit 1997 - 2002



UK Retailing

WH Smith PLC
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EXPANSION

- Space
 - Opened 22 new stores including 6 Edge of Town
 - Achieved 2% space growth and confident about future expansion



UK Retailing

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EXPANSION

- Refurbishment
 - Continuation of programme
 - 300 stores refurbished since 1996/97
 - Further 40 stores in 2003 with a focus on South East England
 - Historically stores post-refurbishment have shown a 1% sales uplift



UK Retailing

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EFFICIENCY

- Retek
 - Re-engineering of sales & stock management systems
 - Full roll-out cost of £32m
 - Implemented by other major retailers
- Phased Implementation
 - Phase 1: Warehouse Management **Implemented April 2001**
 - Phase 2: Sales Forecasting **Implemented Spring 2002**
 - Phase 3: Stock & Merchandising **Testing (Live August 2003)**



UK Retailing

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EFFICIENCY

- Benefits of Retek
 - Improved regional stock ranging
 - Stock in right location
 - More efficient use of stock
 - Significant benefits from 2003/04



UK Retailing

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CUSTOMER OFFER

- Brand Positioning
 - Improved basics
 - Evolutionary steps to change brand rather than revolutionary
 - Advertising campaign supports message

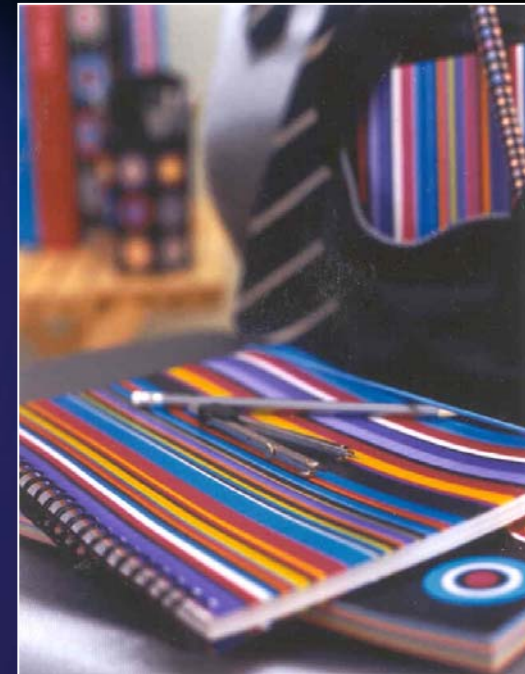


UK Retailing

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CUSTOMER OFFER

- Products
 - Driving contribution growth
 - Focus on more profitable product categories
 - Improving intake margin
 - Differentiated offer - own brand & exclusive
 - Own brand now 16% of High Street sales
 - Market share gains

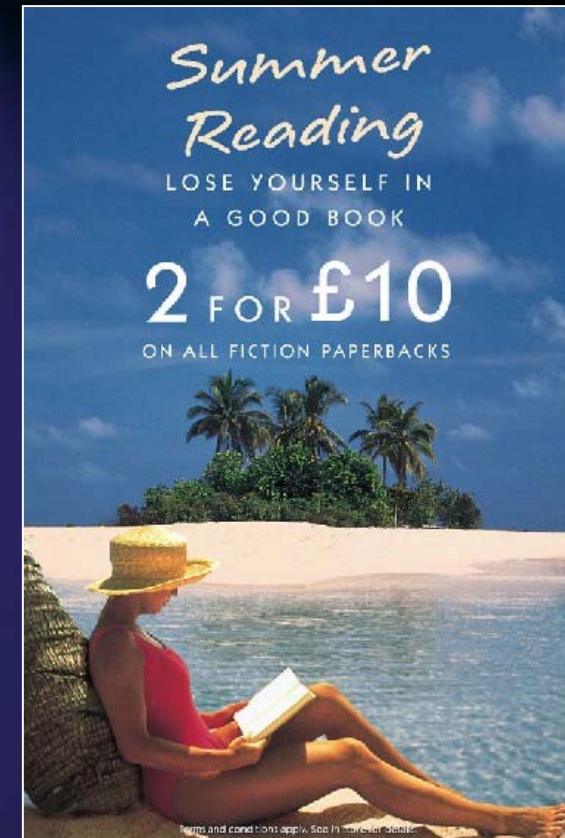


UK Retailing

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CUSTOMER OFFER

- Promotions
 - Fewer, more focussed promotions
 - Value & differentiation messages



UK Retailing

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SUMMARY

- Excellent management team
- Increasing focus on more profitable product categories
- Moving consumer perception of the brand
- Investing in new infrastructure
- Solid platform for the future



John Warren

Finance Director



Group Sales

WH Smith PLC 2002 Preliminary Results

	Year to Aug 2002 £m	Year to Aug 2001 £m	LFL Growth %	6 wks LFL %
UK Retailing	1,501	1,415	4%	1%
International Retailing				
US Travel	216	245	(13%)	(15%)+
ASPAC†	138	39	7%†	7%
Publishing	138	131	4%	6%
News Distribution	1,069	1,024	4%	2%
Total Sales	3,062	2,854	4%	1%
Internal Sales	(126)	(119)	6%	3%
Total External Sales†	2,936	2,735	4%	1%

+ 2 year LFL

† Pro forma basis



Group Profit Bridge

WH Smith PLC
2002 Preliminary Results

	Group excluding US £m	US £m	Total £m
2001 PBT pre-goodwill and exceptional items	122	11	133
UK Retailing	6	-	6
Publishing	3	-	3
News Distribution	4	-	4
US Travel Retail	-	(27)	(27)
ASPAC	7	-	7
Central costs / Other income	(1)	-	(1)
Interest	(3)	-	(3)
2002 PBT pre-goodwill and exceptional items	138	(16)	122
	+13%		



Profit Summary by Operating Business

WH Smith PLC
2002 Preliminary Results

	Year to Aug 2002 £m	Year to Aug 2001 £m	Growth %
UK Retailing	97	91	7%
Publishing	19	16	19%
News Distribution	27	23	17%
ASPAC	5	(2)	++%
Operating profit pre US Travel	148	128	16%
US Travel	(16)	11	-
Operating profit	132	139	(5%)
Central costs / other income / interest	(10)	(6)	-
PBT pre-goodwill & exceptionals	122	133	(8%)



UK Retailing Summary

WH Smith PLC 2002 Preliminary Results

	2002 £m	2001 £m	Growth %
Sales	1,501	1,415	6%
Gross Contribution	571	540	
Occupation	(161)	(151)	
Other store costs	(203)	(193)	
Central costs	(110)	(105)	
PBIT	97	91	7%
<i>Net Margin</i>	<i>6.5%</i>	<i>6.4%</i>	
Stores	736	728	
Average total square feet '000	3,223	3,147	2%



UK High Street LFL Sales

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	Year 2002 %	6 wks %
Books	3%	1%
Stationery	1%	3%
Entertainment	9%	(5)%
News & Express	4%	(3)%
Total	4%	-%



UK Retailing Gross Contribution Bridge

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	H1 2002 £m	H2 2002 £m	Total 2002 £m
Volume	25	8	33
Rate	(1)	3	2
Mix	(5)	1	(4)
Total	19	12	31
GC%	(0.7%)pts	+0.7%pts	(0.2%)pts



US Travel Retail Summary

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	2002 £m	2001 £m	Growth %
Sales	216	245	(12)%
Gross Contribution	119	145	
Occupation	(41)	(44)	
Staff	(42)	(45)	
Other store costs	(32)	(29)	
Contribution	4	27	
Central costs	(20)	(16)	
PBIT	(16)	11	-%
<i>Net Margin</i>	<i>-%</i>	<i>4.5%</i>	
Stores	528	573	



US Travel Retail Loss Bridge

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	Hotels Contribution £m	Airports Contribution £m	Central £m	Total PBIT £m
2001	9	18	(16)	11
Gross Contribution	(17)	(9)	-	(26)
Occupation	1	2	-	3
Staff	2	1	-	3
Depreciation	-	(3)	-	(3)
Other costs	1	(1)	-	-
Central	-	-	(4)	(4)
2002	(4)	8	(20)	(16)



ASPAC

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	2002 £m	2001* £m	Growth* %
Sales	138	129	7%
Gross Contribution	56	51	
Occupation	(17)	(16)	
Other store costs	(24)	(24)	
Other costs	(10)	(10)	
PBIT	5	1	++%
<i>Net Margin</i>	3.8%	0.8%	
Stores	200	207	
Average square feet '000	788	791	-%

* Proforma



Publishing

WH Smith PLC 2002 Preliminary Results

	2002* £m	2001* £m	Growth %
Sales	138	131	5%
Gross Contribution	70	68	
Marketing & distribution	(12)	(16)	
Staff costs	(26)	(25)	
Other costs	(13)	(11)	
PBIT	19	16	19%
<i>Net Margin</i>	<i>13.8%</i>	<i>12.2%</i>	

**Memo: Includes Helicon (sold 02/02)*

	2002 £m	2001 £m
<i>Sales</i>	<i>1</i>	<i>3</i>
<i>Net Loss</i>	<i>(1)</i>	<i>(2)</i>



News Distribution

WH Smith PLC 2002 Preliminary Results

	2002 £m	2001 £m	Growth %
Sales*	1,069	1,024	4%
Gross Contribution	121	117	
House Costs	(61)	(60)	
Administration Costs	(33)	(34)	
PBIT+	27	23	17%
<i>Net Margin</i>	2.5%	2.2%	

* Includes internal sales of £107m (2001: £103m), up 4%

+Memo: Includes Connect2U

	2002 £m	2001 £m
<i>Net Loss</i>	(2)	(3)



Group Exceptional Items

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	2002 £m	2002 £m
US Travel		
Fixed Assets	(5)	
Goodwill	(8)	
Stock	(7)	
Debtors / Guarantees	(6)	
Redundancy	(1)	
		(27)
Acquisition of John Murray		(2)
Profit on disposal of fixed assets		1
Total 2002 Exceptional Charge		(28)



Free Cashflow

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	2002 £m	2001 £m
PBT pre-goodwill & exceptional items	122	133
Depreciation	52	47
Working capital	(28)	(9)
Capital expenditure	(66)	(68)
Tax	(36)	(38)
Provisions spend	(3)	(3)
Disposal of fixed assets	2	2
Pension contributions	(4)	-
Free cash flow	39	64



Balance Sheet

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	2002 £m	2001* £m
Goodwill	240	236
Fixed Assets	343	340
Working Capital	87	65
Tax	(40)	(42)
Dividends	(32)	(32)
Provisions	(28)	(23)
Operating Assets Employed	570	544
Net Cash	44	75
Total Net Assets	614	619

Gearing (debt:assets) inclusive of capitalised operating leases : 53%

*Restated due to FRS19



Key Indicators

WH Smith PLC 2002 Preliminary Results

	2002	2001*
Adjusted EPS	34.6p	37.4p
Dividend per share	19.0p	19.0p
Fixed charges cover [†]	1.5x	1.6x
Tax charge	30%	30%

*Restated due to FRS19

[†]Pre-goodwill



Group Pension Charges

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- FRS17
- Net liability of final salary pension schemes of £143m
- £100m liability after deferred tax asset
- £16m P&L charge in 2003
- Cash contributions of £20m in 2003
- Future volatility



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Chief Executive



Summary

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