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30 October 2018

WH SMITH PLC

ACQUISITION OF INMOTION – PROVIDING ACCESS TO THE WORLD’S LARGEST TRAVEL RETAIL MARKET

WH Smith PLC (“**WH Smith**” or the “**Group**”) announces today the signing of an agreement for the acquisition of InMotion¹, a pure play travel retailer, for US\$198 million² (£155 million)³ (the “**Transaction**”). The Transaction marks a significant step in WH Smith’s international travel growth strategy.

STRATEGIC HIGHLIGHTS

- Acquisition of a market leading retailer of digital accessories in US airports
- Strongly performing business in a category with attractive growth prospects
- Platform from which to expand WH Smith’s international travel business into the world’s largest travel retail market
- Additional opportunities to grow digital accessories format in key markets outside of North America, complementing WH Smith’s recent success internationally

FINANCIAL HIGHLIGHTS

- Doubles size of WH Smith’s international travel business
- Implied multiple of approximately 9.9x EBITDA⁴
- EPS accretive in first full financial year after completion
- ROIC greater than WACC by year three
- Free cash flow accretive
- No change to the share buyback of up to £50m announced on 11 October 2018

Stephen Clarke, Group Chief Executive, WH Smith, commented:

“InMotion is a highly successful pure play travel retailer in the world’s largest travel retail market. The acquisition of InMotion is an exciting value creation opportunity for the WH Smith Group and marks a major step in our international travel retail growth strategy. It doubles the size of our international travel business and provides us with attractive growth opportunities.”

“The travel retail market in North America for digital accessories offers significant growth potential. As the market leader, recognised for its best-in-class customer service, InMotion is well positioned to take advantage of that potential.”

“In addition, InMotion provides us with a scalable platform to launch the WH Smith airport format into the US, the world’s largest travel retail market for news, books and convenience products.”

“Finally, building on our recent successes in the digital accessories category in the UK and on InMotion’s supplier relationships and experience, we see significant potential to accelerate growth outside of the US using the InMotion format.”

“InMotion is run by a very experienced senior management team and we look forward to working with the CEO, Jeremy Smith, and his team to further develop both businesses across North America and other territories.”

Jeremy Smith, President & CEO of InMotion, added:

“The team at InMotion are delighted to be joining such an iconic business with a high growth international division. Working together, we look forward to combining our expertise in travel retail to grow the InMotion business further both within and outside of the US, while at the same time accelerating WH Smith’s international growth strategy.”

OVERVIEW OF INMOTION

InMotion is the largest airport-based digital accessories retailer in North America. Established in 1998, it operates an attractive concession portfolio of 114 stores across 43 airports in the United States, with a presence in nine of the top ten and 22 of the top 25 busiest US airports⁵.

InMotion sells a range of digital accessories which, supported by strong and trusted supplier relationships from the leading brands in the category, includes premium headphones and earbuds, travel accessories, mobile power, portable speakers and action cameras. In the calendar year to date, InMotion has delivered like-for-like sales growth of 13%, following like-for-like growth of 12% in calendar year 2017. For the financial year ending 31 December 2018, InMotion is expected to deliver sales of approximately US\$166 million (£130 million)³, and EBITDA of approximately US\$23 million⁶ (£18 million)³.

CONSISTENT WITH WH SMITH’S STRATEGIC PRIORITIES

The WH Smith Travel business has delivered more than ten consecutive years of profit growth and now generates two thirds of Group operating profit. This growth has come from three areas: evolving store formats and category mix in the UK, with digital and travel accessories being a key part of this growth; opening new stores in the UK; and expanding into new markets outside of the UK.

International Travel forms a key part of the Group’s future growth and value creation opportunity and InMotion has been identified as a very attractive acquisition in this context.

INTEGRATION AND SCALABLE PLATFORM FOR GROWTH

WH Smith is focused on maintaining the strengths of the InMotion business model, and accordingly anticipates a straightforward integration process with immediate strategic and financial benefits to WH Smith. InMotion will continue to operate as a standalone business as part of WH Smith’s international travel business. The experienced senior management team of InMotion will continue to lead the business, including Jeremy Smith, who has been CEO of InMotion for 12 years.

With an industry-leading customer service proposition and supported by robust landlord relationships, WH Smith believes the InMotion format is well positioned to continue to expand its presence in the attractive and growing US travel retail digital accessories market. There remains significant scope for growth both in airports where InMotion is already present, and in airports where InMotion is not currently located.

Following the Transaction, WH Smith will benefit from InMotion’s existing infrastructure and business development capabilities, to support the launch and growth of WH Smith’s airport format in North America.

In addition, the Transaction provides additional opportunities to grow the digital accessories format in key markets outside of North America where WH Smith is present.

FINANCING AND CAPITAL ALLOCATION

WH Smith's disciplined approach to cash and capital allocation remains unchanged, and the Group remains focused on cash generation and value creation for shareholders. The Transaction is consistent with this strategy given the growth potential it unlocks for the Group.

In support of the Transaction, WH Smith has put in place a new four year term loan of £200 million provided by the Group's four existing facility banks, Barclays Bank PLC, BNP Paribas, HSBC UK Bank PLC and Santander Corporate & Investment Banking, at Libor +100 bps. In addition, WH Smith's existing revolving credit facility of £140m has been extended for a further year and now expires in December 2023.

Following completion, the Group expects pro forma leverage of approximately 0.8x EBITDA^{6,7}, with no change to its progressive dividend policy nor share buyback programme. As part of maintaining an efficient balance sheet, the Group will operate with a level of net debt of up to 1.25x EBITDA.

COMPLETION

The completion of this transaction, which is subject to customary closing conditions including US regulatory approval, is expected before the end of calendar year 2018.

WH SMITH GROUP CURRENT TRADING

WH Smith has made a good start to the new financial year. After the first 8 weeks, Travel total revenue is up 10% with like-for-like revenue up 4%. High Street total revenue is down 1% and like-for-like revenue is down 2%. Total revenue for the Group is up 5% with like-for-like sales up 1%.

Revenue performance	Total	LFL
Travel revenue	10%	4%
High Street revenue	(1)%	(2)%
Group revenue	5%	1%

CONFERENCE CALL

A conference call with investors and analysts will be held at 8:00am GMT today. Dial-in details for the call are as follows: +44 (0) 20 7192 8000. Password: 4279039. The slides accompanying the presentation will be available on WH Smith's website, www.whsmithplc.co.uk, shortly before the start of the call.

NOTES

- ¹ The Transaction will be an acquisition of 100% of the share capital of InMotion Entertainment Group, LLC
- ² Debt-free cash-free valuation subject to customary closing adjustments
- ³ USD converted to GBP at spot FX rate of 1.28
- ⁴ Acquisition multiple calculated based on purchase price of \$198 million, divided by expected EBITDA of \$23 million for financial year ending 31 December 2018, less \$3 million of pre-tax profit attributable to minority partners (having minority partners is mandatory under some US airport lease contracts). This amount will be recognised, on a post-tax basis, as a non-controlling interest in WH Smith's income statement going forward
- ⁵ Busiest airports in the United States based on enplanement
- ⁶ EBITDA on a fully consolidated basis excluding certain non-recurring items. As is mandatory in some US airport lease contracts, InMotion has minority partners. The share of post-tax

profit attributable to those minority partners will be recognised as a non-controlling interest in WH Smith's income statement going forward
7 Represents adjusted pro forma leverage of 3.0x (versus 2.6x for the Group as at 31 August 2018). Adjusted leverage based on Moody's definition: (net debt plus 5x rent expense) / EBITDAR

Pursuant to Listing Rule 10.4.1R:

- based on the unaudited management accounts as at 30 September 2018, InMotion had gross assets of \$74 million
- the acquired profits attributable to WH Smith (before interest, tax, and goodwill amortisation and net of minority interests) are expected to be approximately \$15 million for the period to 31 December 2018

ENDS

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Financial Adviser

Greenhill & Co. International LLP ("**Greenhill**"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as financial adviser to WH Smith and no one else in connection with the Transaction and will not be responsible to anyone other than WH Smith for providing the protections afforded to clients of Greenhill, nor for providing advice in relation to the Transaction or any other matters referred to herein.

About WH Smith

WH Smith is listed on the London Stock Exchange (LSE: SMWH) and is a constituent of the FTSE 250 Index. The Company was founded in 1792 and is one of the oldest chain stores in the world. The company now has over 1,400 stores worldwide, with operations in 52 airports across 28 countries outside of the UK.

WH Smith has two businesses, Travel and High Street. The Travel business operates from 582 units in UK airports, railway stations, motorway service areas and hospitals, and 300 units outside of the UK. Travel accounts for approximately two-thirds of Group profits. The High Street business operates from 607 stores, with an extensive reach across the UK and a presence on nearly every significant UK high street. High Street sells a wide range of products, across the following categories: Stationery (including greetings cards), Books, and News and Impulse (including newspapers, magazines and confectionery).

The digital retail businesses sell a range of products across three websites at www.whsmith.co.uk, www.cultpens.com, and personalised greetings cards and gifts through www.funkypigeon.com.

WH Smith employs approximately 14,000 staff, primarily in the UK.

About InMotion

InMotion is the market leading airport-based digital accessories retailer in the US. With access and insight into the latest technologies, InMotion offers lifestyle products and digital accessories that include headphones, earbuds, mobile power, Bluetooth speakers, travel accessories and action cameras.

The award-winning, knowledgeable sales associates provide an exceptional experience with live demonstrations of every product in the store, so travellers can choose the best product for their journey.

InMotion was acquired by Bruckmann, Rosser, Sherrill & Co. LLC and Palladin Consumer Retail Partners in 2013. It operates from 114 stores in 43 US airports.

For more information and real-time updates, visit InMotion online at www.inmotionstores.com.

Important Notices

This announcement contains inside information and is issued on behalf of the Group by Ian Houghton, Company Secretary. This announcement is issued at 7.00am on 30 October 2018.

This announcement contains forward-looking statements with respect to the operations, performance and financial condition of WH Smith. By their nature, these statements are subject to risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied because they relate to future events.

Unless otherwise required by applicable law, regulation or accounting standard, the Group does not undertake to publicly update any forward-looking statements, whether as a result of new information, future developments or otherwise. Nothing in this document should be construed as a profit forecast. Nothing contained in this announcement constitutes or shall be deemed to constitute an offer or invitation to invest in otherwise deal in any shares or other securities of WH Smith. For more detailed information about WH Smith, see the Investor Relations section of the Group website.