

Disclaimer

This document contains forward-looking statements with respect to the operations, performance and financial condition of WH Smith PLC. 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, we do not undertake to publicly update any forward-looking statements, whether as a result of new information, future developments or otherwise. Nothing in this presentation should be construed as a profit forecast.

The financial information referenced in this presentation does not contain sufficient detail to allow a full understanding of the results of WH Smith PLC. For more detailed information, please see the interim results announcement for the six months ended 29 February 2020 which can be found on the Investors section of the WH Smith PLC website - www.whsmithplc.co.uk

WH Smith PLC

Interim Results 2020

14 May 2020

WH Smith PLC

- Introduction
- Financial review
- Business review
- Questions

Carl Cowling

Robert Moorhead

Carl Cowling

Covid-19 update

- Significant financial impact to the WH Smith Group; vast majority of stores closed since March 2020
- Entered crisis from a position of financial strength
- Additional bank financing arrangements and equity placing secured by 6 April 2020 to strengthen the balance sheet and liquidity position of the Group
- Continue to manage the business to protect profitability and reduce costs; mitigating actions implemented from point of outbreak
- US businesses acted fast to minimise operating costs
- Focus on store re-opening plans
- Resilient and versatile Group; consistently demonstrated that we can adapt and respond quickly to changing market conditions

Robert Moorhead

Chief Financial Officer and
Chief Operating Officer

Group financial summary¹

	6 mths to Feb 2020 £m	6 mths to Feb 2019 £m	Change %
Revenue	747	695	7%
Group profit from trading operations ²	93	92	1%
Headline Group profit before tax ³	80	81	(1)%
Headline EPS ^{3, 4}	56.1p	60.6p	(7)%
Free cash flow (£m)	1	27	
Total dividend per share	-	17.2p	

¹ All results are stated before the impact of IFRS 16 – See Appendix 1 for more details

² Stated after directly attributable share-based payment and pension service charges, and before non-underlying items, unallocated costs, finance costs and taxation

³ Headline Group profit before tax is before non-underlying items of £17m (2019: £16m)

⁴ Diluted (weighted average number of shares 29 February 2020:114m; 2019: 109m)

Revenue analysis

Total Revenue	H1 2020	H1 2019	Change
	£m	£m	%
Travel	432	364	19%
High Street	315	331	(5)%
Total revenue	747	695	7%
<i>International</i> ¹	161	104	55%

LFL Revenue	H1 2020	H1 2019
	%	%
Travel	2%	3%
High Street	(4)%	(2)%
	(1)%	1%

¹ Included in Travel. 2020 includes £27m from MRG.

Group profit before tax¹

	6 mths to Feb 2020 £m	6 mths to Feb 2019 £m	Change %
Travel trading profit ^{2,3,4}	49	44	11%
High Street trading profit ²	44	48	(8)%
Group profit from trading operations ²	93	92	1%
Unallocated central costs	(9)	(9)	
Group operating profit ⁵	84	83	1%
Net finance costs	(4)	(2)	
Headline Group profit before tax	80	81	(1)%

¹ All results are stated before the impact of IFRS 16 – See Appendix 1 for more details

² Stated after directly attributable share-based payment and pension service charges, and before non-underlying items, unallocated costs, finance costs and taxation

³ Includes MRG from 20 December 2019

⁴ Includes InMotion from 30 November 2018

⁵ Headline, excludes non-underlying items of £17m (2019: £16m)

Non-underlying items

Non-underlying items in the half relate to:

- Transaction and integration costs for the acquisition of MRG
- Non-cash impairment charges £3m

	6 months to end Feb 2020	
	Income Statement £m	Cash Impact £m
Transaction costs	11	12
Integration costs	2	2
Amortisation	1	-
	14	14
Impairment of fixed assets	3	-
High Street review completed in 2019	-	2
	17	16

Group free cash flow¹

	6 mths to Feb 2020 £m	6 mths to Feb 2019 £m
Group operating profit ²	84	83
Depreciation, amortisation and impairment	28	24
Non cash items	2	3
Capital expenditure	(41)	(31)
Working capital	(43)	(38)
Employers payroll tax on exercised share awards	(1)	(1)
Net tax paid	(24)	(10)
Net interest paid	(3)	(2)
Movement in provisions	(1)	(1)
Free cash flow	1	27

¹ All results are stated before the impact of IFRS 16 – See Appendix 1 for more details

² Headline, excludes non-underlying items of £17m (2019: £16m)

Group net debt (pre-IFRS 16)

	6 mths to Feb 2020 £m	6 mths to Feb 2019 £m
Free cash flow	1	27
Dividends paid	(47)	(41)
Pension funding	(1)	(1)
Net purchase of own shares for employee share schemes	(1)	(5)
Other ¹	(6)	(6)
Purchase of own shares for cancellation	-	(25)
	(54)	(51)
Non-underlying items	(16)	(9)
Acquisitions	(316)	(161)
Proceeds from share placing	152	-
Proceeds from borrowings	200	200
Total movement in net cash / (overdraft)	(34)	(21)
Closing net debt		
Net cash / (overdraft) ²	-	(9)
Term loan	(400)	(200)
Finance leases	(11)	(12)
	(411)	(221)

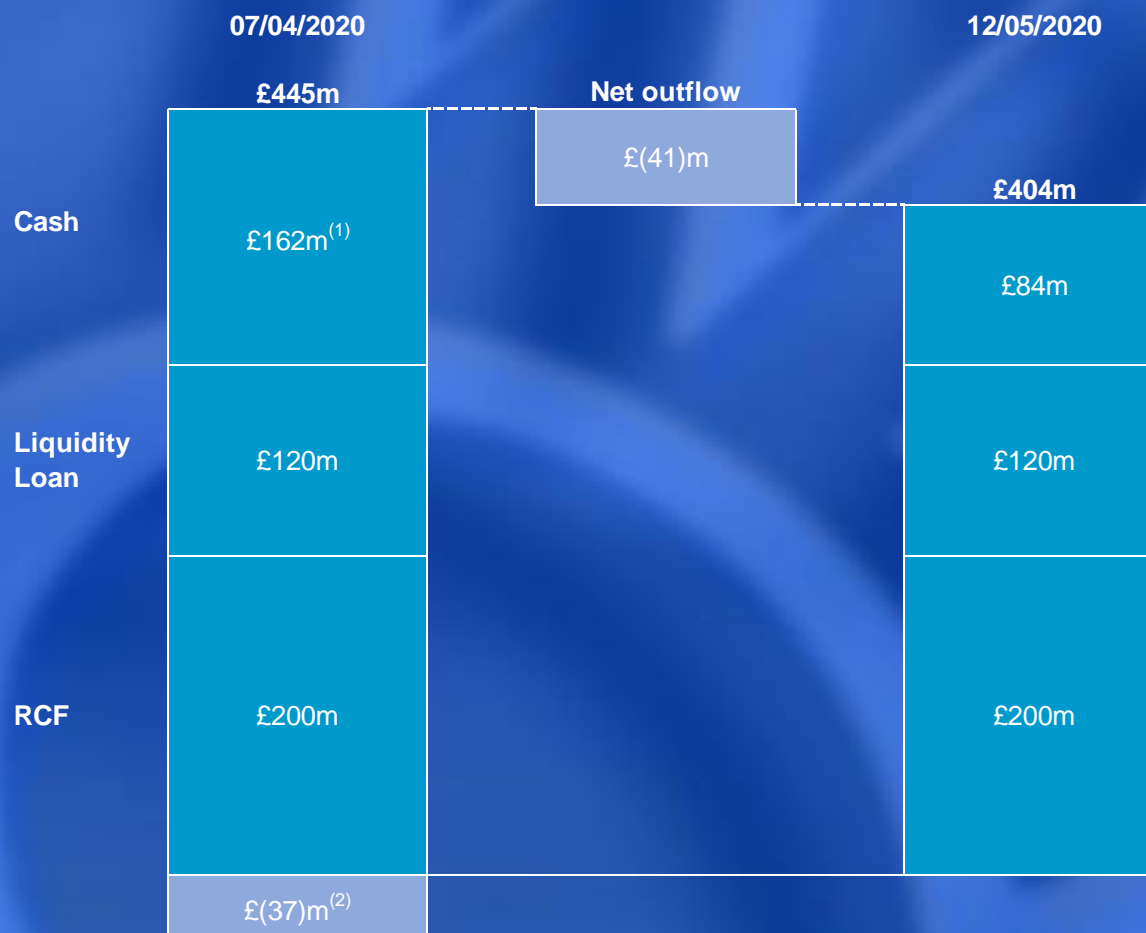
¹ Other includes financing arrangement fees, repayment of finance leases and other items.

² Net cash / (overdraft) is Cash and cash equivalents (£45m; 2019: £48m) less bank overdrafts and other borrowings (£45m; 2019: £57m).

IFRS 16 – Impact on balance sheet

£m	29 Feb 2020 (Pre-IFRS 16)	IFRS 16 Adjustment	29 Feb 2020 (Post-IFRS 16)
Goodwill and other intangible assets	512	(2)	510
Property, plant and equipment	243	(15)	228
Right-of-use assets	-	540	540
Investments in joint ventures	3	-	3
	758	523	1,281
Inventories	188	-	188
Payables less receivables	(145)	15	(130)
Working capital	43	15	58
Derivative financial asset	1	-	1
Net current and deferred tax liability	(1)	4	3
Provisions	(4)	2	(2)
Operating assets employed	797	544	1,341
Net (debt) / funds	(411)	(566)	(977)
Net assets excluding pension liability	386	(22)	364
Pension liability	(4)	-	(4)
Deferred tax asset on pension liability	1	-	1
Total net assets	383	(22)	361

We have c.£400m of liquidity



- Covenant waivers secured for August 2020 and February 2021
- Secured eligibility to CCFF
- Cash burn £25m-£30m per month in extended lockdown



Carl Cowling
Group Chief Executive

WH Smith UK Travel

Channel performance



Total revenue	LFL revenue ⁽¹⁾
3%	2%



Total revenue	LFL revenue ⁽¹⁾
13%	6%



Total revenue	LFL revenue ⁽¹⁾
2%	2%



Total revenue	LFL revenue ⁽¹⁾
55%	(1)% ⁽²⁾

(1) Constant currency

(2) Up 3% excluding InMotion

Air: a key driver of performance

- Greater focus on driving spend per passenger due to low ATV
- Continued investment in delivering new formats
 - Large store formats open in Gatwick (pharmacy format), Heathrow T3 & T4, Birmingham and Belfast airports; continue to deliver significantly higher ATV and sales per passenger
- Continue to win new space in existing airport locations
- Committed to launch new flagship store format at Heathrow T2 this Summer
 - Over 5,000 sq ft of retail space combining traditional WH Smith format with pharmacy offer
- Expect new formats to present new opportunities to landlords going forward

Investment in new formats across key channels



London Heathrow Terminal 2

Hospital channel & Rail

Hospital Channel:

- Hospital channel is our second largest channel in the UK by revenue
 - Opened 3 new units in first half
- Strong customer offer aligned to NHS strategy on healthy eating
- Broad suite of brands and formats allows us to meet the needs of our NHS partners in different sized hospitals across the country
- Further opportunities to improve hospital retail offer across the UK
- Provide a key service for NHS staff

Rail:

- Further investment in Rail; 3 new units opened in first half
- Continue to invest in format development – Paddington Station, London

WH Smith International

International Travel

- WH Smith still a small player with good growth potential
- Short-term investment for long-term future growth
- Broad customer offer and sales per pax are attractive to overseas landlords
- Good success in a number of regions; 38 units won in the half in North America, Australia, Europe and South East Asia
- MRG acquisition demonstrates the potential and attractiveness of US travel market
- Investing for longer term growth

	Six months to Feb 2020⁽¹⁾	Six months to Feb 2019	YoY⁽¹⁾	LFL revenue⁽²⁾
Sales (£m)	161	104	55%	(1)%
Profit (£m)	9	6	50%	

North America

- Good performance in first half; MRG integration progressing well
- 12 new units won across the US in first half
- MRG continues strong win rate observed prior to acquisition
 - Major MRG win secured in west coast airport
- Confirms view that US travel market is very attractive and profitable; well placed to continue to grow when the US travel market re-opens
- Opportunities to further leverage MRG and InMotion
- Significant potential to accelerate growth outside of US using InMotion format; new InMotion unit due to open at Berlin Brandenburg Airport

WH Smith High Street

High Street delivered a good performance in H1

- Good performance from High Street business; profit of £44m
- Like-for-like revenue down 4%
- Margin growth of 100 bps in the half
- Space management continues to help drive the mix; further margin growth from better trading terms, sourcing and improved markdown management
- Cost efficiencies key to our strategy; £5m of cost savings delivered in first half
- Savings delivered through combination of initiatives with rent savings the biggest contributor to cost savings
 - Reduction in rent of over 40%; rolling programme of lease renewals with c.400 lease renewals due to expire over next 3 years

Digital businesses continue to perform well

- Continued good progress from all digital channels in H1
- Strong performances over key trading periods from Funky Pigeon
- Good results from new WH Smith website
- Cult Pens continues to deliver good growth
- Key digital channels have performed strongly throughout Covid-19 crisis
 - Online book sales up by 400%
- Robust infrastructure has enabled continuity of supply

WH Smith

Covid-19

Covid-19 response: protecting our colleagues & customers

- Key priority is the health and wellbeing of our colleagues and customers
- Continue to operate stores in the communities that most need our services at this critical time
 - 130 Hospital stores continue to serve food, drinks and essential items to frontline NHS workers; extended groceries range; 20% discount for all NHS staff
 - 203 High Street stores continue to provide local communities with access to vital postal and banking services
- Robust safety measures implemented across our stores and distribution centres: social distancing measures, plastic screens, PPE, welfare support
- Robust supply chain

Covid-19 response: current trading

- Continue to see significant impact
 - Travel: sharp decline in passenger numbers across all Travel channels; expect this to continue in the near term
 - International: broadly similar trends to the UK; lockdown restrictions beginning to be relaxed across Europe and North America
 - High Street: sharp decline in customer footfall; expect high street retail to benefit from more relaxed lockdown restrictions in the short to medium term
- Group revenue in April down 85%: Travel revenue down 91% and High Street revenue down 74%
- Recent re-financing will support the Group through this period

Covid-19 response: mitigating actions on track

- Group has adapted and responded quickly despite continued uncertainty
- Broad range of mitigating actions to manage cost base and cash flow implemented from point of outbreak, to include:
 - Stopping all discretionary expenditure; reducing corporate overheads
 - Delaying all non-essential and non-contractual capital expenditure
 - Rent reductions; ensuring rent is aligned with revenue
 - Reducing stock purchases to reflect ongoing demand
 - Suspension of Interim dividend payment in current financial year
- Welcomed UK government support measures: business rates, deferring tax payments, UK Job Retention Scheme
- Accessed local support from overseas governments
- Additional financing secured to strengthen the balance sheet and liquidity position of the Group
- Secured eligibility for the Government's CCFF

Covid-19: looking ahead

- Expect continued uncertainty for some time
- Phased re-opening schedule planned for all stores; advanced plans to protect colleagues and customers given some stores have remained open
- Expect gradual improvement in Air from Autumn 2020 led by an increase in domestic travellers, particularly in the US
- Hospital channel will continue to be impacted; expect gradual improvement in Rail from Autumn 2020
- Financially strong; Group well positioned for longer term with successful strategy; important travel retailer for landlords
- Continue to invest in new stores and store formats in UK and US:
 - Flagship store format at Heathrow Terminal 2 due to open Summer 2020
 - New units scheduled to open at major US airports
 - Development of M&S Simply Food partnership to 2 High Street stores
- Resilient and versatile Group; well positioned to benefit in due course from the normalisation and growth of our key markets

Appendix

IFRS 16 – Impact on income statement

£m	29 Feb 2020 Pre-IFRS 16	IFRS 16 Adjustment	29 Feb 2020 Post-IFRS 16
Revenue	747	-	747
Travel trading profit ^{1,2}	49	1	50
High Street trading profit ¹	44	3	47
Group profit from trading operations ¹	93	4	97
Unallocated central costs	(9)	-	(9)
Headline Group operating profit ³	84	4	88
Finance costs	(4)	(4)	(8)
Headline Group Profit before tax	80	-	80
Income tax expense	(15)	-	(15)
Headline Profit for the period	65	-	65
Headline Earnings per share	56.1p	-	56.1p

¹ Stated after directly attributable share-based payment and pension service charges, and before non-underlying items, unallocated costs, finance costs and taxation

² Includes MRG from 20 December 2019

³ Headline, excludes non-underlying items of £17m

IFRS 16 – Impact on cash flow statement

£m	29 Feb 2020 (Pre-IFRS 16)	IFRS 16 Adjustment	29 Feb 2020 (Post-IFRS 16)
Net cash inflow from operating activities	25	48	73
Net cash outflow from investing activities	(357)	-	(357)
Net cash inflow from financing activities	329	(48)	281
Total cash flow	(3)	-	(3)

WH Smith PLC

Interim Results 2020

14 May 2020