

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 preliminary results announcement for the twelve months ended 31 August 2020 which can be found on the Investors section of the WH Smith PLC website - www.whsmithplc.co.uk

WH Smith PLC

Preliminary Results 2020

12 November 2020

WH Smith PLC

- Introduction
- Financial review
- Business review
- Questions

Carl Cowling

Robert Moorhead

Carl Cowling

WH Smith: Overview

- Pre-Covid the business was trading very well
- Responded quickly and took decisive actions to protect colleagues, customers and business, including substantially strengthening the Group's liquidity
- Resilient and versatile Group with robust business model
- Continue to manage the business tightly to protect cash and reduce costs; focused plan around conversion and ATV growth has worked well across all our markets
- Focus on forensic space management
- Encouraging early signs of recovery in North America
- Well positioned to navigate through continued period of uncertainty; anticipate further opportunities ahead
- High Street business returned to profitability in September and October

Robert Moorhead

Chief Financial Officer and
Chief Operating Officer

Group financial summary¹

	Year to Aug 2020 £m	Year to Aug 2019 £m	Change %
Revenue	1,021	1,397	(27)%
Headline Group (loss) / profit from trading operations ²	(43)	177	(124)%
Headline Group (loss) / profit before tax ³	(69)	155	(145)%
Headline (loss) / earnings per share ^{3, 4}	(44.2)p	114.7p	(139)%
Free cash flow (£m)	(41)	109	
Cash on deposit	82	2	
Total dividend per share	-	58.2p	

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 £157m (2019: £20m)

⁴ Diluted (weighted average number of shares 31 August 2020:120m; 2019: 109m)

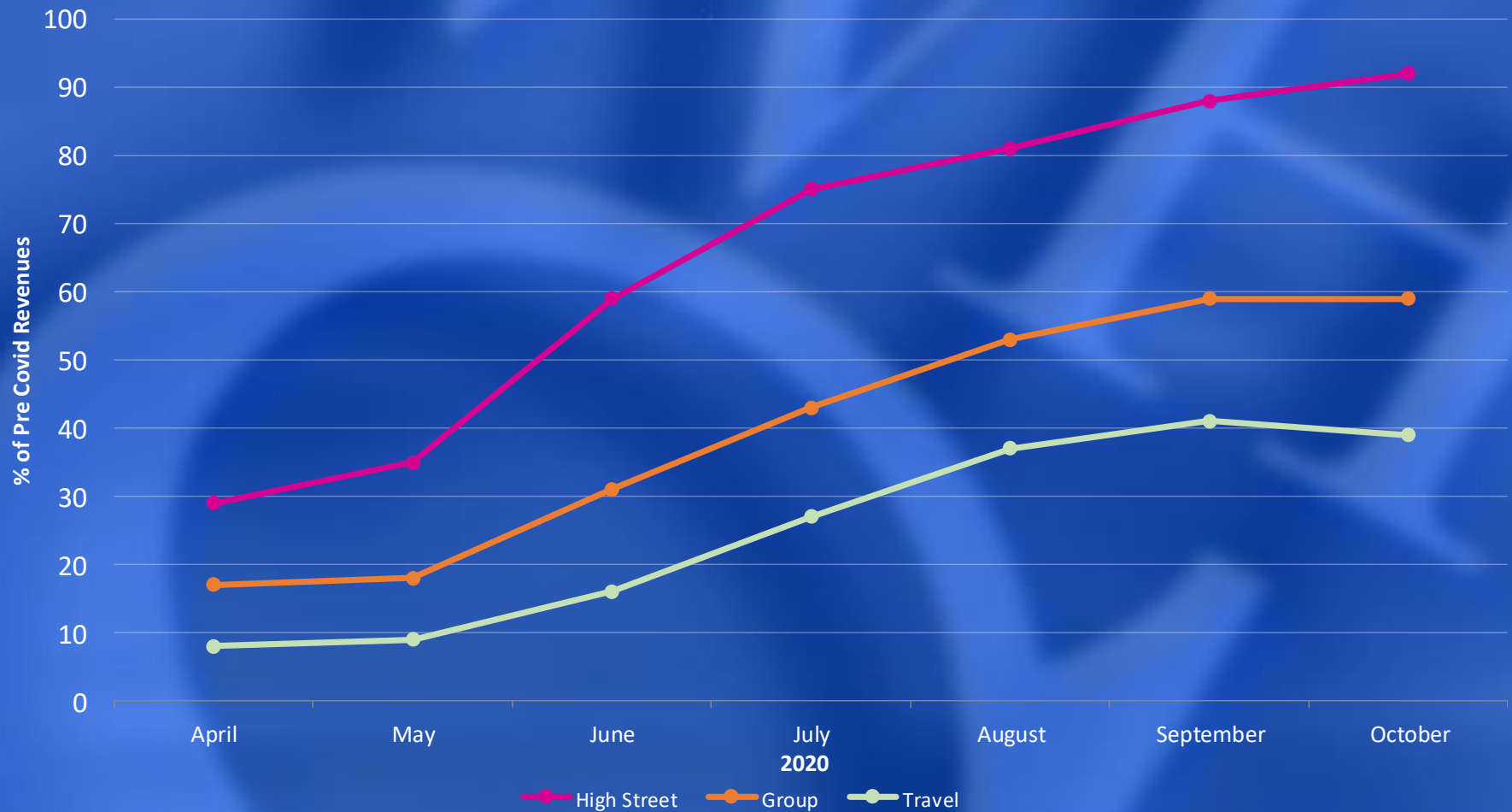
Revenue analysis

	Year to Aug 2020 £m	Year to Aug 2019 £m	Change %
Total Revenue			
Travel	553	817	(32)%
High Street	468	580	(19)%
Total revenue	1,021	1,397	(27)%
<i>International</i> ¹	209	252	(17)%

	H1 2020 %	H2 2020 %	Year to Aug 2020 %
LFL Revenue			
Travel	2%	(78)%	(43)%
High Street	(4)%	(38)%	(19)%
	(1)%	(64)%	(33)%

¹ Included in Travel. 2020 includes £48m from MRG.

Revenues had improved as restrictions were eased



Group loss before tax ¹

	Year to Aug 2020 £m	Year to Aug 2019 £m	Change %
Travel trading (loss) / profit ^{2,3}	(33)	117	(128)%
High Street trading (loss) / profit ²	(10)	60	(117)%
Group (loss) /profit from trading operations ²	(43)	177	(124)%
Unallocated central costs	(17)	(17)	-%
Group operating (loss) / profit ⁴	(60)	160	(138)%
Net finance costs	(9)	(5)	(80)%
Headline Group (loss) / profit before tax	(69)	155	(145)%

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 and includes InMotion from 30 November 2018

⁴ Headline, excludes non-underlying items of £157m (2019: £20m)

Non-underlying items

	Year to Aug 2020 ⁽¹⁾ £m	Cash Outflow Year to Aug 2021 £m
Impairment	55	-
Onerous leases	13	-
Stock	14	-
Restructuring	25	24
Store reinstatement costs	12	3
Other	1	-
	120	27
Transaction costs	11	-
Integration	9	-
Amortisation	3	-
Pensions past service cost	14	-
	157	27

¹ IAS 17 basis

Group free cash flow¹

	Year to Aug 2020 £m	Year to Aug 2019 £m
Group operating profit ²	(60)	160
Depreciation, amortisation and impairment ³	60	49
Non cash items ³	3	5
	3	214
Capital expenditure	(79)	(59)
Working capital ³	40	(13)
Net tax refunded/(paid)	5	(27)
Net interest paid	(7)	(4)
Other	(3)	(2)
Free cash flow	(41)	109

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

² Headline, excludes non-underlying items of £157m (2019: £20m)

³ Headline, excludes non-underlying items

Group net debt (pre-IFRS 16)

	<u>£m</u>
Opening net debt	(180)
<u>Movement in year</u>	
Free cash flow	(41)
Dividends	(47)
Pensions	(3)
Non-underlying items	(20)
Acquisition of MRG	(316)
Proceeds from placings	312
Other	(6)
Net debt 31 August 2020	(301)
Cash	108
Term loans	(400)
Finance leases	(9)
	<u>(301)</u>

We have £323m of liquidity at the end of October



- November cash burn c.£20m
- FY21 capex £55m
- Covenant waivers for February 2021 and August 2021

The background is a solid blue color with faint, large-scale geometric patterns. These patterns include a large circle on the left and several overlapping rectangles and lines on the right, creating a sense of depth and structure.

Carl Cowling

Group Chief Executive

WH Smith Travel

Travel: Key areas of focus

- Robust plan in place across all channels and territories; remain focused on initiatives within our control to support in the near-term and position us well for the recovery
- Compelling multi-category proposition

Cost
Management

Increase ATV
and Conversion

Category
Development

Opportunities for
further
Growth

- Key areas of focus are relevant for all channels across UK Travel and International
- Good progress with scope to do more

WH Smith

UK Travel

UK Travel: Channel performance



H1 Total revenue	H2 Total revenue
3%	(87)%



H1 Total revenue	H2 Total revenue
13%	(40)%



H1 Total revenue	H2 Total revenue
2%	(83)%

UK Travel: Air

- Well positioned in Air going into the pandemic
 - Space in all key airport locations
 - High levels of penetration into our stores
 - Convenience and essentials categories
 - Good relationships with landlords; demonstrated we can drive additional value
- Focus on customer conversion and increasing ATV; double-digit increase
- Extended product categories and ranges: health and beauty, wellbeing and hygiene products; scope to do more
- Further opportunities ahead as landlords reconfigure space

UK Travel: Flagship store opens at Heathrow Terminal 2



UK Travel: Hospital channel

- Prior to Covid-19, the Hospital channel was our second largest channel in the UK by revenue; resilient performance in H2
- Broad suite of brands and formats, including M&S and Costa, allows us to tailor our offer and meet the needs of our landlords across all our channels
- Strong customer offer aligned to NHS strategy on healthy eating
- Extended product selection for NHS staff
- Strengthened relationships with hospital trusts and NHS staff
- Further opportunities to improve hospital retail offer across the UK

UK Travel: Rail

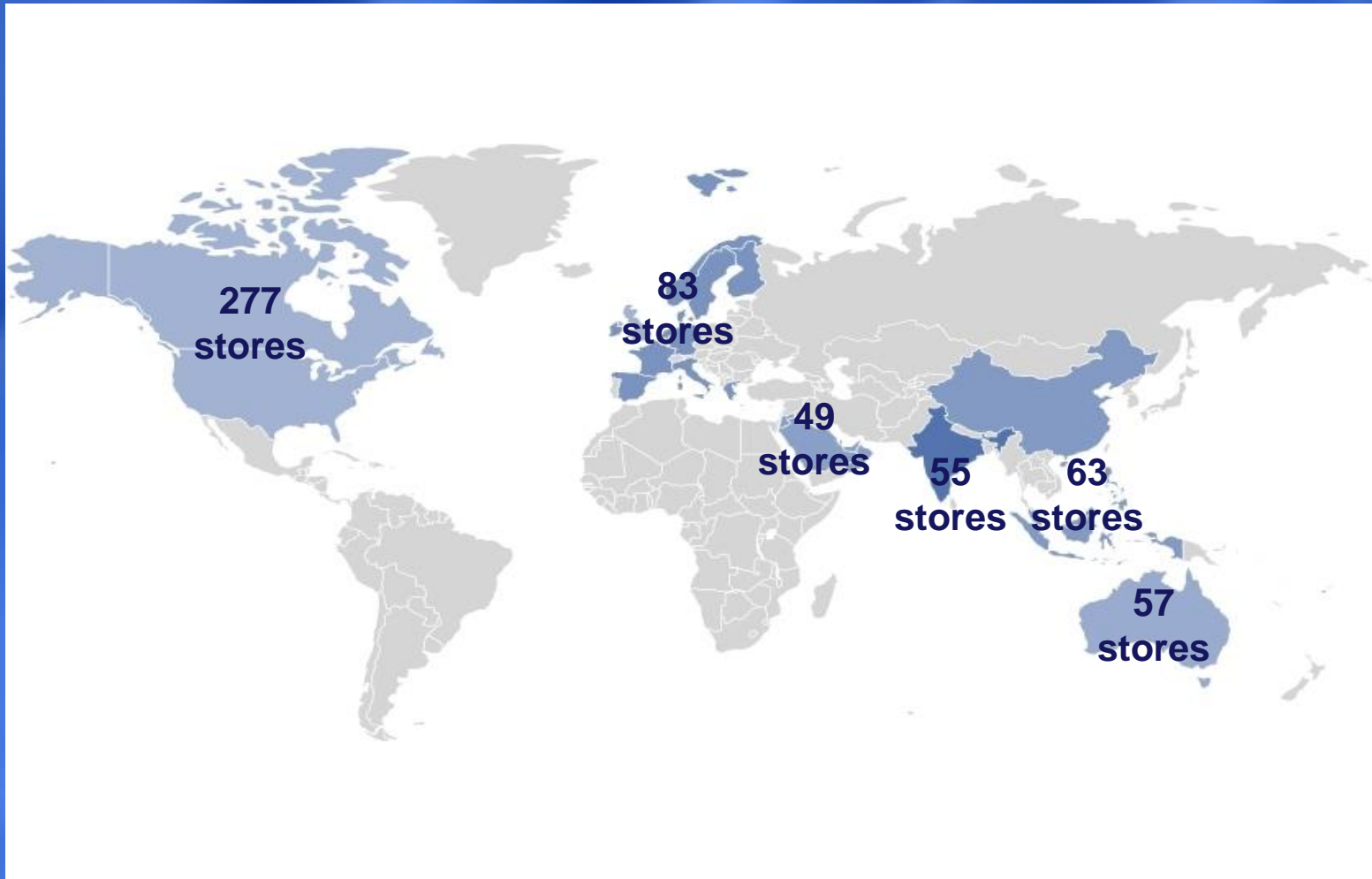
- Challenging second half; further impacted by travel restrictions
- Steady recovery in commuter traffic throughout July and August; stalled by Government 'work from home' announcement in September
- Different customer profile in Rail; lower spend per pax in contrast to Air
- Focused plan around conversion and increasing ATV
- Over the longer-term, Rail will continue to be an integral part of the UK Travel business
- Continue to manage costs tightly

UK Travel: Cost management

- Continue to manage the business tightly across all channels to protect cash and reduce costs
 - Reduced exposure to rent guarantees
 - Took decisive action to reduce headcount
- Accessed Government support schemes, where appropriate
- Expect to benefit from efficiencies as our markets recover

WH Smith International

WH Smith North America: now represents c.50% of International store base with 277 stores



WH Smith North America

Highly successful US travel retailer with proven business model and unique capabilities

Largest travel retail market in the world

Distinctive retail offering tailored to local consumers in high traffic locations

Strong track record of concession wins in US airports

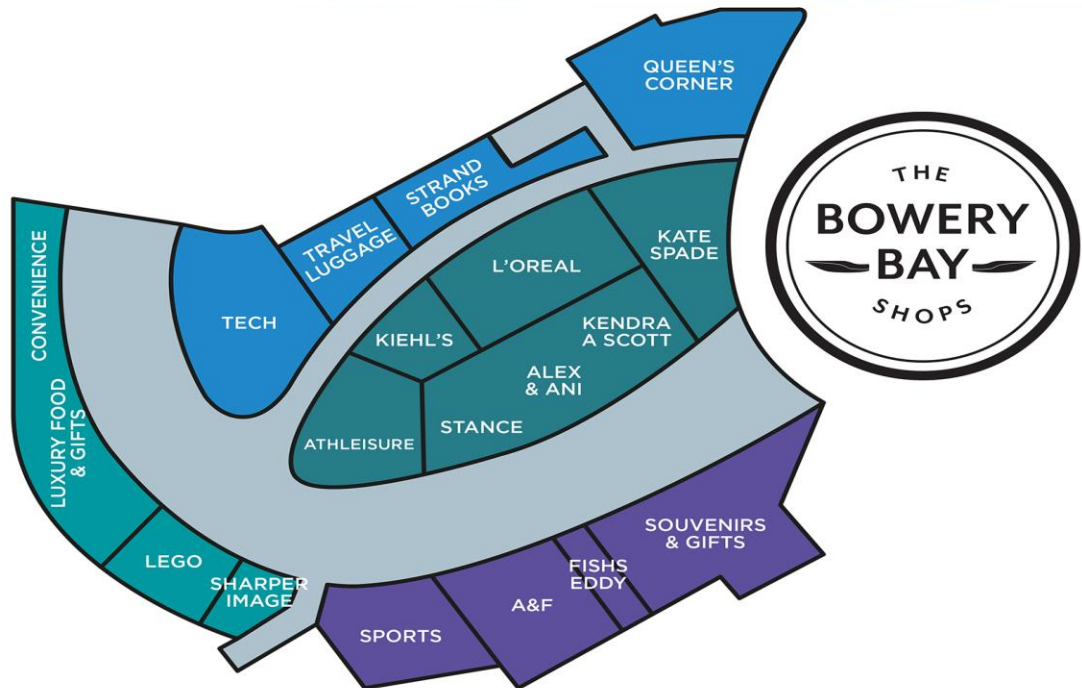
85% of passengers are domestic

Clear integration plan with existing strong management

WH Smith North America

- Encouraging early signs of recovery; total revenue in October of 44% compared to 2019 levels
- Responded quickly at point of outbreak to manage the business tightly and reduce cost base
- Good pipeline of contract wins ahead; MRG continues strong win rate observed prior to acquisition
- Continue to invest in new stores where we see attractive opportunities for profitable growth; 8 new stores won in the second half
- Las Vegas proving to be resilient; visitors continue to travel by car and good growth at McCarran International Airport
- MRG and InMotion integration on track; took advantage of exceptional circumstances and executed quickly; will deliver over £5m per year
- More focused North American business; better placed to win further tenders

WH Smith North America



WH Smith International

- WH Smith still has a relatively small market share of the international NBC market
- Recovery by territory will be variable by passenger profile
- Focused on areas in our control:
 - Increasing ATV
 - Re-negotiated rents
 - Lease extensions
 - Worked with Government support schemes
- Continued success with new store wins and openings, including units in Tenerife, Berlin and Schiphol
- Well positioned to benefit from further opportunities ahead

WH Smith Travel: Looking ahead

- Very challenging second half; business significantly impacted by Covid-19
- Responded quickly to protect the business; cost base under control
- Hospital channel is likely to improve first
- Expect gradual improvement in Air; domestic travellers to return first, particularly in North America, followed by international and inter-continental passengers
- Expect Rail to recover as Government restrictions are lifted
- Robust plan in place to drive ATV and conversion and extend user clauses; expect to emerge in a stronger position

WH Smith High Street

High Street

- Our High Street strategy has served us well for many years and it is as relevant today as it has ever been; focused on creating sustainable profits
- Resilient performance from High Street; 203 High Street stores with Post Offices remained open in the first lockdown to continue to serve their communities with vital postal and banking services
- Strong performances from digital businesses throughout lockdown
- Greater focus on initiatives within our control
 - Driving ATV; c.15% increase in ATV
 - Category development: electrical accessories, working from home ranges
 - Strong growth from key digital channels
- Performance has improved month on month; business returned to profitability across September and October

Digital businesses performed well

- Good performance from all digital channels
- Strong performances over key trading periods from Funky Pigeon
- Good results from WH Smith website; investment is paying back
- Cult Pens continues to deliver good growth
- Key digital channels have performed strongly throughout Covid-19 pandemic
- Robust infrastructure has enabled continuity of supply

High Street

- Cost efficiencies key to strategy; £23m of cost savings delivered in the year
- Savings delivered through combination of initiatives with rent savings the biggest contributor to cost savings
- Reduction in rent of c.45%
- Rolling programme of lease renewals with c.400 renewals due to expire over next 3 years
- Plan to close c.25 stores in current financial year as leases expire
- Continue to see opportunities for further savings

	2020	2021	2022	2023	Total 2021–23 £m
Total savings (£m)	23 ^{(1) (2)}	21 ^{(1) (3)}	8	5	34

(1) Includes rates benefit in 2020 of £15m and additional £6m in 2021

(2) Furlough benefit in 2020 of c.£8m

(3) Before reversal of 2020 furlough benefit

Looking ahead

- Responded quickly; took difficult but decisive actions to protect the business
- Financially strong; managed liquidity of the Group
- Well positioned for the longer term with successful strategy; important travel retailer for landlords
- Continue to invest in new stores and store formats in the UK and North America where we see attractive opportunities for profitable growth
- Highly cash generative High Street business
- Resilient and versatile Group; well positioned to benefit as our key markets recover



WH Smith PLC

Preliminary Results 2020

12 November 2020

Appendix

IFRS 16 – Impact on balance sheet

£m	31 Aug 2020 (Pre-IFRS 16)	IFRS 16 Adjustment	31 Aug 2020 (Post-IFRS 16)
Goodwill and other intangible assets	495	(2)	493
Property, plant and equipment	190	2	192
Right-of-use assets	-	413	413
Investments in joint ventures	2	-	2
	687	413	1,100
Inventories	150	-	150
Payables less receivables	(226)	43	(183)
Working capital	(76)	43	(33)
Derivative financial asset	-	-	-
Net current and deferred tax liability	17	11	28
Provisions	(27)	13	(14)
Operating assets employed	601	480	1,081
Net (debt) / funds	(301)	(550)	(851)
Net assets excluding pension liability	300	(70)	230
Pension liability	(4)	-	(4)
Deferred tax asset on pension liability	1	-	1
Total net assets	297	(70)	227

IFRS 16 – Impact on income statement

£m	31 Aug 2020 Pre-IFRS 16	IFRS 16 Adjustment	31 Aug 2020 Post-IFRS 16
Revenue	1,021	-	1,021
Travel trading (loss) / profit ^{1,2}	(33)	6	(27)
High Street trading (loss) / profit ¹	(10)	6	(4)
Group (loss) / profit from trading operations ¹	(43)	12	(31)
Unallocated central costs	(17)	-	(17)
Headline Group operating (loss) / profit ³	(60)	12	(48)
Finance costs	(9)	(11)	(20)
Headline Group (loss) / profit before tax	(69)	1	(68)
Income tax (credit) / expense	16	-	16
Headline (loss) / profit for the period	(53)	1	(52)
Headline (loss) / earnings per share	(44.2)p	-	(43.3)p

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 £157m under IAS 17; £212m under IFRS 16

IFRS 16 – Impact on cash flow statement

£m	31 Aug 2020 (Pre-IFRS 16)	IFRS 16 Adjustment	31 Aug 2020 (Post-IFRS 16)
Net cash inflow from operating activities	15	66	81
Net cash outflow from investing activities	(395)	-	(395)
Net cash inflow from financing activities	440	(66)	374
Total cash flow	60	-	60