

WH Smith PLC

Trading Update

20 January 2021

WH Smith PLC is today issuing an update on trading in its High Street and Travel stores for the 20 week period to 16 January 2021.

WH Smith Group Chief Executive, Carl Cowling, commented:

“Covid-19 continues to have a significant impact on the WH Smith Group, however we are pleased with our performance over the Christmas period which was better than anticipated.

“Our key priority is the health and wellbeing of both our colleagues and our customers and continuing to provide a safe environment for them.

“In our High Street business, we worked hard to navigate our way through the evolving Covid restrictions as we approached the Christmas trading period. This positioned us well, resulting in a better than expected Christmas with sales in December at 92% of 2019 levels. Our online businesses continued to deliver significant year on year growth in the period.

“In our Travel business, we saw little change in the environment prior to the current lockdown, as expected, with sales in December at 36% of 2019 levels. We remain focused on average transaction values which continue to grow, cost control, and operational efficiencies and I am pleased with the progress we are making, particularly given the backdrop of significantly reduced passenger numbers. In North America, we have seen a quicker recovery versus the rest of the world, given the higher volume of domestic travel.

“We generated cash during November and December and ended December with a stronger cash position than anticipated with liquidity of £90m, which is materially ahead of our original plan.

“I am extremely grateful to all our colleagues around the world and, in particular, our store teams who have worked exceptionally hard throughout what has been a very challenging period.

“We remain well placed to navigate our way through this ongoing period of uncertainty and benefit from the recovery of our key markets in due course.”

Trading Update

The Group delivered a good performance over the Christmas trading period, ahead of our expectations. We adapted well to the evolving trading environment on the high street and we delivered a good performance despite reduced footfall, with revenue in High Street in December at 92% of 2019 levels.

For the 20 weeks to 16 January 2021, total Group revenue was 59% of 2019 revenue for the period.

Total Group revenue as a percentage of the prior year total revenue has been:

	% of 2019 Revenue		
	High Street	Travel	Group
September 2020	89%	41%	59%
October 2020	92%	39%	59%
November 2020	82%	37%	58%
December 2020	92%	36%	67%
January 2021 to date	70%	30%	46%
Year to date	87%	37%	59%

In High Street, we delivered a good performance with total revenue at 87% of 2019 revenue for the 20 week period. We saw strong performances from both our seasonal and new 'work from home' ranges. We exited Christmas with a clean stock position. Most of our stores traded through the period and continue to do so, in line with government guidance which classes newsagents as essential retailers. We have however closed our non-newsagent stores as well as secondary floors across some of our larger stores, while maintaining access for essential Post Office services.

Our online businesses funkypigeon.com, cultpens.com and whsmith.co.uk performed very strongly with record performances and sales significantly ahead of the prior year.

In Travel, total revenue was 37% of 2019 revenue for the 20 week period. We continue to focus on initiatives within our control including: cost management, where we have successfully renegotiated rents; increasing conversion and growing average transaction value, where we are making good progress across all channels; category development, by expanding our health and beauty and electrical accessory ranges to additional stores; and identifying opportunities for future growth. During the period, we have extended a number of key contracts, won a new specialist bookshop at Heathrow Terminal 2 and opened three stores, including a new partnership with Gridserve where we are the exclusive retail partner for the UK's first electric forecourt.

In North America, where approximately 85% of passengers are domestic, we continue to see a faster recovery versus the rest of the world, although we continue to plan cautiously. MRG continues its strong track record of tender wins and, since the beginning of the financial year, has won a further four new stores across major US airports. In addition, InMotion opened its first store in the resort channel. We currently have 219 stores trading in North America. We have completed the integration of InMotion into the MRG head office and we are on track to deliver savings of c.£5m per annum. Overall revenue in North America for the 20 week period was at 43% of 2019 levels.

Outside of the UK and North America, we are seeing broadly similar trends to UK air, with passenger numbers significantly down year on year and an increase in average transaction value. Despite the environment, we continue to win new business and have recently opened a new unit in Perth Airport Terminal 2. We are currently trading from 160 stores across the rest of the world.

As a result of our trading performance, our cash generation for November and December 2020 was ahead of plan. We ended December 2020 with cash on deposit of £90m and access to £320m of committed facilities. At that point, the Group owed approximately £70m relating to rent, restructuring charges and outstanding creditors as we entered the third lockdown. Therefore, the Group had £340m of available cash and facilities as at the end of December 2020.

The Group expects its underlying monthly cash burn for the period January to March 2021 to be around £15m-£20m per month assuming the current conditions continue. As a result of the good performance in November and December, this will leave the Group in approximately the same liquidity position at the end of March 2021 as we had expected at our Preliminary results in November 2020. In April 2020, the Group secured eligibility to the Government's Covid Corporate Financing Facility (CCFF) for up to £300m. The Group never utilised the facility. The CCFF is currently being reviewed and we remain in dialogue with the CCFF.

Following the announcement of a third lockdown and in line with government guidance, we are currently trading from the majority of our High Street Stores, including over 200 stores with Post Offices and over 200 UK Travel stores, including c.130 hospital stores serving frontline NHS workers. We were able to apply the learnings from previous lockdowns and acted quickly to preserve liquidity including taking immediate action to return stock, furlough staff and manage our supply chain. We also took measures to ensure our stores that are temporarily closed are able to open quickly as lockdown eases. We are not anticipating any material change to the current situation in the UK prior to the end of March 2021.

We have not experienced any disruption as a result of the UK leaving the European Union and do not anticipate that it will have a material impact on our ability to import stock in the year ahead.

Interim Results Announcement

WH Smith PLC will announce its 2021 Interim results on Thursday 29 April 2021.

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† Monthly recurring cash burn before any cost deferrals or one-off savings/costs