

WH Smith PLC

Trading Update

5 August 2020

Further to the update issued on 14 May 2020, and as a result of the evolving situation regarding Covid-19, WH Smith PLC is today issuing a trading update. In addition, the Group sets out its proposed plans to restructure its UK store operations.

WH Smith Group Chief Executive, Carl Cowling, commented:

“Covid-19 continues to have a significant impact on the WH Smith Group. Throughout the pandemic, we have responded quickly and taken decisive actions to protect the business including substantially strengthening our financial position. We have also welcomed support from Government where available.

“In our Travel business, while we are beginning to see early signs of recovery in some of our markets, the speed of recovery continues to be slow. At the same time, while there has been some progress in our High Street business, it does continue to be adversely affected by low levels of footfall. As a result, we now need to take further action to reduce costs across our businesses. I regret that this will have an impact on a significant number of colleagues whose roles will be affected by these necessary actions, and we will do everything we can to support them at this challenging time.

“While we are mindful of the continuing uncertainties that exist, we are a resilient and versatile business. The operational actions we are taking along with the financing arrangements that are in place, put us in a strong position to navigate this time of uncertainty and we are well positioned to benefit in due course from the recovery of our key markets.”

Trading Update

At our trading update on 6 April 2020 we indicated that we assumed that Group total revenue would be down between 80% and 85% from April until 31 August 2020 against the same period in the previous year. As lockdown restrictions have eased around the world, we have seen a gradual recovery although sales continue to be materially down versus the prior year.

	April 2020	May 2020	June 2020	July 2020
Travel total revenue	(92)%	(91)%	(84)%	(73)%
High Street total revenue	(71)%	(65)%	(41)%	(25)%
Group total revenue	(83)%	(82)%	(69)%	(57)%

In Travel, although passenger numbers remain significantly down year on year, we have begun a phased reopening of our UK stores across our air and rail channels. We are now trading in 246 of our largest stores which have historically represented c.75% of annual revenue. We now have 53% of our UK Travel store estate open and we remain focused on increasing average transaction value in these locations.

In the US, where approximately 85% of passengers are domestic, we anticipate a faster recovery versus the rest of the world. Overall revenue is down 80%, although we have seen an encouraging performance from the 147 stores that we have reopened to date with sales in these stores down c.50%. During the second half, we accelerated the integration of the InMotion head office into MRG. We are pleased with the progress we have made and we

are on target to have this completed by the end of the year. Outside of the UK and the US, we are seeing broadly similar trends to UK air with passenger numbers significantly down year on year and an increase in average transaction value. We now have 153 stores open across the rest of the world.

In High Street, our 203 stores that host Post Offices remained open through the pandemic to provide vital postal and banking services to their local communities. Given we kept stores open in these locations, we were well advanced with our reopening plans for the stores that had temporarily closed. Since June, we have reopened our remaining High Street stores with 575 now open, though high street footfall is significantly down on 2019 levels. Our online businesses have continued to perform strongly.

As a result of the impact on passenger numbers and lower footfall on the UK high street, we have taken the difficult decision to review our store operations across both our Travel and High Street businesses. We are now starting a collective consultation on a proposed restructure which could lead to up to c.1,500 roles becoming redundant. This has been a very difficult decision and we are committed to supporting all our colleagues throughout this process and ensuring it is conducted fairly. Based on our initial assessment, we believe that the costs associated with the restructure will be in the region of £15m - £19m¹, reflecting the Group's enhanced redundancy policy.

Following the impact of Covid-19 in the second half of the financial year, the Group expects to deliver a headline loss before tax for the financial year ending 31 August 2020 of between £70m and £75m.

Liquidity Position

Our liquidity position remains consistent with the detail we provided at our Interim results on 14 May 2020. As at 4 August, we had cash of approximately £63m with a revolving credit facility of £200m and an additional committed bank facility of £120m, both of which are undrawn. In addition, we have secured eligibility for the Government's Covid Corporate Financing Facility ('CCFF'). In July, our monthly cash burn on an underlying trading basis was between £15m and £20m².

The £120m short term facility, which was agreed at the time of the Group's refinancing in April, was due to be cancelled when the Group accessed the CCFF. We have now agreed an amendment to this short term facility with our banks so that there is no immediate requirement to cancel the short term facility, should we access the CCFF.

Taking into account the Group's current financing arrangements, combined with a variety of operational actions, the Board is confident that the Group has sufficient funds to allow it to operate throughout a prolonged downturn in our markets.

Preliminary Announcement

WH Smith PLC will announce its 2020 Preliminary results on Thursday 12 November 2020.

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¹ Includes costs associated with previously announced Head Office restructure on 1 July 2020.

² Monthly recurring cash burn before any cost deferrals or one-off savings/costs.