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THIS ANNOUNCEMENT INCLUDES INSIDE INFORMATION

28 April 2021

WH Smith PLC

NEW FINANCING ARRANGEMENTS & CONVERTIBLE BOND OFFERING

WH Smith PLC ("**WH Smith**" or the "**Company**") today announces it has successfully agreed new bank financing arrangements and launched a potential offering (the "**Offering**") of approximately £325m of guaranteed senior unsecured Convertible Bonds due 2026 (the "**Bonds**").

WH Smith has separately announced today its Interim results which should be read in conjunction with this Announcement.

New financing arrangements

The new financing arrangements include a £250m RCF (increased from £200m) with an extended maturity from 2023 to 2025 and provided by an expanded syndicate of lending banks. In addition, the issue of the Bonds, which is expected to raise approximately £325m, will provide £50m of new capacity for WH Smith to fund the opening of c.100 new Travel stores won and yet to open over the next three years and new growth opportunities. The remainder of the proceeds will be used to partially pay down the existing £400m term loans from both the Marshall Retail Group ("**MRG**") and InMotion acquisitions. The maturity of the term loans is also extended from 2023 to 2025 in line with the RCF.

Background

The Company has continued to trade well despite the impact of the pandemic and has maintained its focus on managing costs and its cash burn in order to protect the balance sheet and liquidity position of the Group. This has positioned the Company well, and as the Interim results demonstrate, the Company has continued to improve its underlying cash burn with a free cash outflow in the six-month period to 28 February 2021 of £13m with cash on deposit of £50m and the £200m RCF (increased to £250m) fully undrawn. As restrictions ease and with footfall anticipated to increase, the Company expects to improve the profitability of the business. Taking into consideration the known commitments at the end of March, the Company expects to have a small drawdown on its RCF at the end of the financial year.

Reasons for the Offering

As the impact of Covid-19 has reduced, and given the Company's improving financial position, the focus has increasingly turned to the growth opportunities in Travel where the Company already has won c.100 stores which are yet to open. As part of this, the Company has assessed its long-term sources of funding to enable it to take advantage of significant business opportunities. The opportunities to open new Travel stores are across all territories and, in particular, in North America. The new financing arrangements will help fund these new and existing opportunities and will put the Company in a strong financial position to capitalise on the significant opportunities that are expected to emerge in the travel retail market post-Covid.

In December 2019 at the time of the MRG acquisition, the Company outlined that in the US MRG had 36 stores that it had won and were due to open between 2020 and 2024. The Company has continued this momentum throughout the pandemic and today the pipeline now comprises 62 stores in the US, with the remaining stores in Travel, including the UK, Australia and Europe, making a total of c.100 stores to open over the next three years. Despite the pandemic, the Company has continued with its store opening programme in a disciplined manner and has opened 38 stores since March 2020.

Looking ahead, the Company expects a substantial amount of new space to become available, including a number of new tenders for retail space at international airports and WH Smith is well positioned to capitalise on this significant opportunity to build out its store pipeline. In addition, within the UK the Company has identified further opportunities for new retail space in Travel and expects to win on average 10 to 15 new stores each year across its three key channels, particularly in hospitals. WH Smith already has a strong presence in this channel with c.130 stores in 100 hospitals and it has identified up to 300 hospitals in the UK which could take one of its three hospital formats: a traditional WH Smith store, a Marks & Spencer Simply Food store or a Costa Coffee store.

The new bank financing arrangements and the issue of the Bonds announced today will also provide balance sheet capacity and flexibility whilst diversifying the Company's sources of debt funding. The new financing arrangements will extend the maturity profile of the bank debt from 2023 to 2025, with the Bonds maturing in 2026. The Company is also expected to benefit from an ongoing lower cost of funding from the Bonds.

The issue of the Bonds is equivalent to c.10% of the Company's existing issued ordinary share capital and therefore senior management consulted with the Company's major institutional shareholders ahead of the release of this Announcement.

Offering of the Bonds

The Bonds will be issued by WH Smith PLC and initially guaranteed by WH Smith Retail Holdings Limited, WH Smith Travel Limited, WH Smith High Street Limited, WH Smith Hospitals Limited, InMotion Entertainment Group, LLC, The Marshall Retail Group, LLC and funkypigeon.com Limited (the "**Initial Guarantors**"). The terms and conditions of the Bonds (the "**Conditions**") will provide for the addition of further guarantors and the release of guarantors (including the Initial Guarantors) in certain circumstances.

The Bonds will be issued in principal amounts of £100,000 each and are expected to carry a coupon of between 1.375% and 1.875% per annum payable semi-annually in arrear in equal instalments on 7 May and 7 November in each year, with the first interest payment date being 7 November 2021 (the "**First Interest Payment Date**"). The Bonds will be convertible into new and/or existing ordinary shares of the Company (the "**Ordinary Shares**"). The initial conversion price is expected to be set at a premium between 37.5% and 42.5% above the reference share price which will be equal to the placement price of an Ordinary Share in the Concurrent Accelerated Bookbuilding (as defined and further described below). The conversion price will be subject to adjustment in certain circumstances in line with market practice. The new bank financing arrangements described above are conditional on the issuance of the Bonds.

Settlement and delivery of the Bonds is expected to take place on or about 7 May 2021 (the "**Closing Date**"). If not previously converted, redeemed or purchased and cancelled, the Bonds will be redeemed at par on the maturity date, currently expected to be on or around 7 May 2026. The Company will have the option to redeem all, but not some only, of the outstanding Bonds on or after the day falling 3 years and 21 days after the Closing Date, at par plus accrued interest, if the value of the Ordinary Shares underlying £100,000 in principal amount of the Bonds exceeds £130,000 on each of at least 20 dealing days in a period of 30 consecutive dealing days ending not more than 5 London business days prior to the giving of the relevant redemption notice by the Company or, at any time if 15% or less of the principal amount of the Bonds remain outstanding.

The Joint Global Coordinators (as defined below) intend to organise a simultaneous placement of existing Ordinary Shares (the "**Concurrent Accelerated Bookbuilding**") on behalf of certain

subscribers of the Bonds who wish to sell those Ordinary Shares in short sales to purchasers procured by the Joint Global Coordinators in order to hedge the market risk to which the subscribers are exposed with respect to the Bonds that they acquire in the Offering. The placement price for the short sales in the Concurrent Accelerated Bookbuilding shall be determined via an accelerated bookbuilding process that will be carried out by the Joint Global Coordinators. The Company and the Initial Guarantors will not receive any proceeds from any sale of Ordinary Shares in connection with the Concurrent Accelerated Bookbuilding.

The final terms of the Bonds are expected to be announced tomorrow (29 April 2021).

Application is intended to be made for the Bonds to be admitted to trading on the unregulated open market (*Freiverkehr*) of the Frankfurt Stock Exchange after the Closing Date but prior to the First Interest Payment Date.

The Company, on behalf of itself and its subsidiaries, will agree to a customary lock-up, ending on the date falling 90 days after the Closing Date, subject to customary exceptions and to waiver by the Joint Global Coordinators.

Barclays, J.P. Morgan Cazenove, BNP Paribas and HSBC are acting as Joint Global Coordinators and Joint Bookrunners for the Offering. Santander is acting as Joint Bookrunner for the Offering. Certain of the Joint Bookrunners or their affiliates are lenders under the banking facilities which are intended to be partially repaid with the proceeds of the issue of the Bonds.

N.M. Rothschild Sons Limited ("Rothschild & Co") is acting as financial adviser to the Company.

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This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018. The person responsible for making this announcement is Ian Houghton, Company Secretary at WH Smith PLC.

IMPORTANT NOTICES

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WITH RELEVANT PERSONS IN THE UNITED KINGDOM AND (B) QUALIFIED INVESTORS IN MEMBER STATES OF THE EEA.

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