



Full Year Results M&S DELIVERS STRONG RESULTS AS IT RESHAPES FOR GROWTH

24 MAY 2023

M&S
EST. 1884



M&S Collection
Pure Cotton Printed Maxi Tiered Dress £39.50

STUART MACHIN

Chief Executive



M&S
EST. 1884

M&S Collection
Pure Cotton Cote d'Azur Graphic T-Shirt, £18.00
Pure Linen Shirt, £40.00
Pure Cotton Half Elasticated Waist Shorts, £30.00
Round Polarised Sunglasses, £15.00

STRONG TRADING RESULTS

Profit before tax and adjusting items £482.0m

Food sales up 8.7%; investment in trusted value; strong growth in hospitality and franchise

C&H sales up 11.5% with store sales up 14.9%, online up 4.8%. Strong demand for click and collect

International sales up 11.2% at constant FX; rebound in partner demand

Ocado Retail result reflects CFC growth and cost; capacity for future growth

Robust balance sheet and cashflow; maintained investment grade credit metrics. Plan to restore dividend in FY24



M&S COLLECTION
Pure Cotton Printed Square Neck Midi Dress, £39.50
Straw Drawstring Tote Bag, £39.50

RESHAPING M&S TO DELIVER LONG-TERM GROWTH

Clothing & Home delivering improved style perceptions and a sustained leading value position

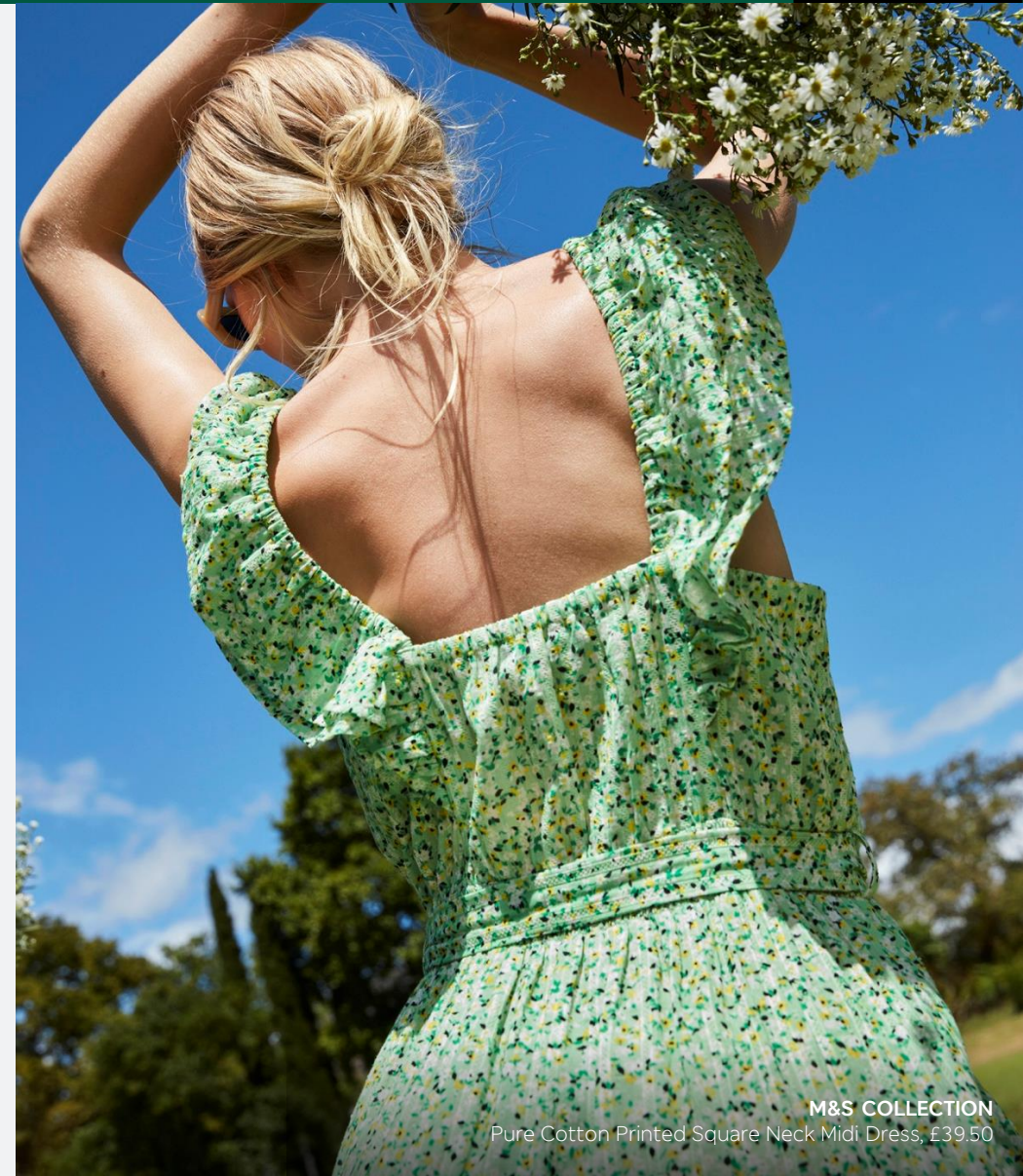
Food volume outperforms market; reflecting product innovation and value investment

Ocado Retail reset underway; restoring leading service credentials and deeper collaboration with M&S

Structural cost reduction programme delivering; over £150m of savings planned for FY24

Accelerating store rotation; 8 full-line and 10 Food stores opening in FY24

Progress on supply chain modernisation; Gist acquisition completed, integration on track



M&S COLLECTION
Pure Cotton Printed Square Neck Midi Dress, £39.50

JEREMY TOWNSEND

Chief Financial Officer



STRONG RESULTS AS M&S RESHAPES FOR GROWTH
FULL YEAR FINANCIALS AT A GLANCE

£12.0bn
9.9%

Group sales

£475.7m
21.4%

Profit before tax

£482.0m
-7.8%

Profit before tax and
adjusting items

£170.4m

Free cash flow
from operations

£355.6m

Net debt
excluding leases

£2.64bn

Net debt



M&S Collection

Cotton Rich Butterfly Sweatshirt, £10.00

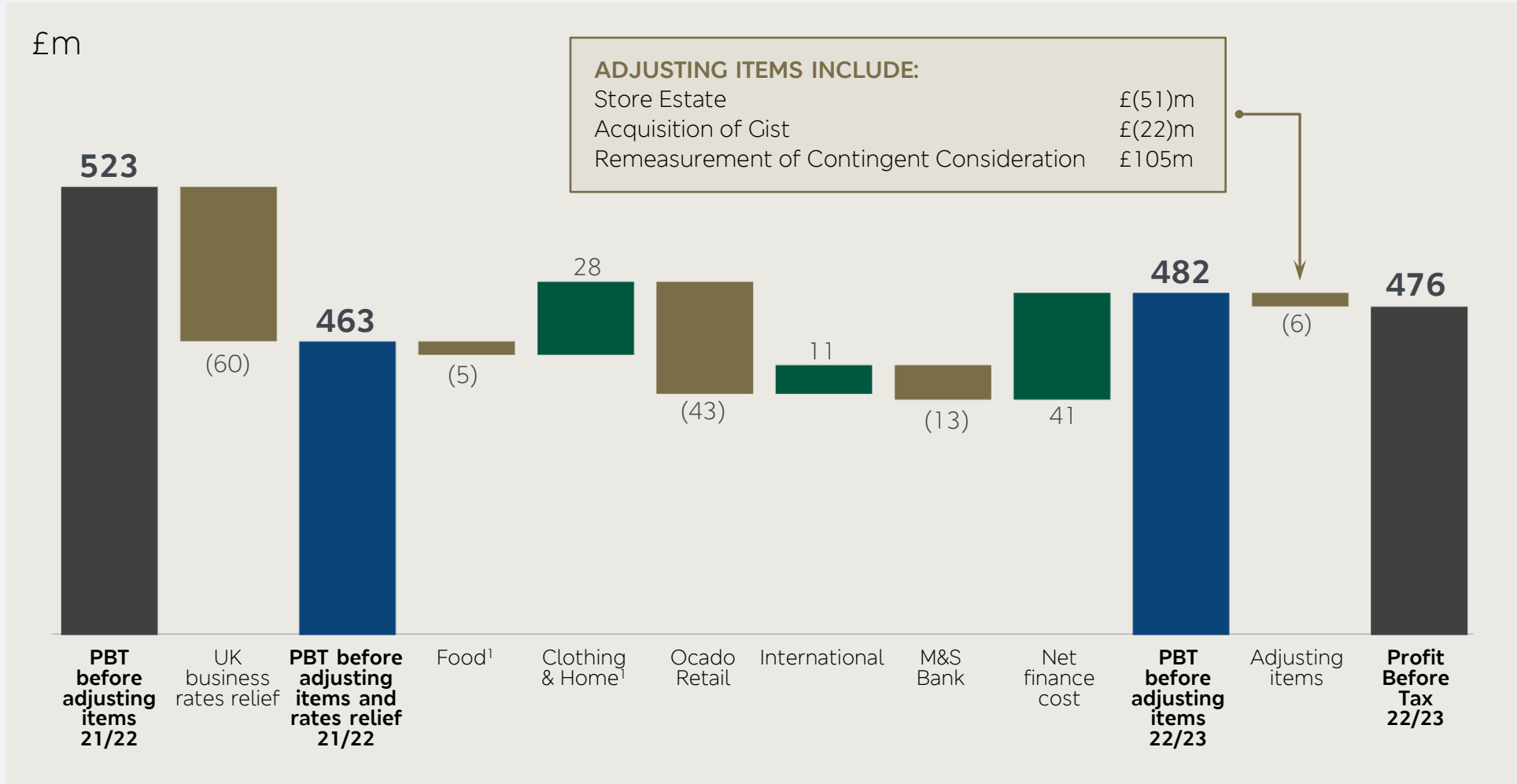
Cotton Rich Butterfly Print Leggings, £6.00

Cotton Rich Hoodie, £12.00

Kids' Slip-on Clogs, £7.00

STRONG RESULTS AS M&S RESHAPES FOR GROWTH

GROUP PROFIT BRIDGE



¹ Food and C&H performance excluding business rates relief



M&S Collection

Linen Blend Hawaiian Floral Shirt, £32.00
Quick Dry Swim Shorts, £15.00

STRONG RESULTS AS M&S RESHAPES FOR GROWTH

TRADING PERFORMANCE IN FOOD

FOOD SALES

% Change from 21/22	H1	H2	FY
Total Food ¹	5.6	11.5	8.7
LFL	3.0	7.6	5.4

¹ FY/H2 Food sales includes an estimated 1.3%/2.4% positive impact from the Gist third party sales

DRIVERS OF FOOD SALES

52 Weeks Ended	1 Apr 23	2 Apr 22	% Change
Footfall (m) (average/week)	10.5	10.2	2.9
Transaction (m) (average/week)	9.0	8.0	12.5
Basket value inc VAT (£)	15.2	15.9	(4.4)
Sales ex VAT (£m)	7,218.0	6,639.6	8.7



FOOD OPERATING PROFIT PERFORMANCE

£m	H1	H2	FY 22/23	FY 21/22	Change vs. 21/22
Sales	3,317.5	3,900.5	7,218.0	6,639.6	8.7%
Operating profit before adjusting items	71.8	176.2	248.0	277.8	-10.7%
<i>Operating margin</i>	2.2%	4.5%	3.4%	4.2%	-80bps

Includes business rates relief of £24.6m



FOOD OPERATING PROFIT MARGIN BRIDGE

Operating profit margin before adjusting items	%
21/22	4.2
Business rates relief	(0.4)
Gross margin	(1.1)
Operating costs	0.7
22/23	3.4

Operating cost growth excluding business rates relief	%
Colleague pay, energy and other inflation	6.8
Growth	1.5
Investments/other	1.8
Cost savings and efficiencies	(5.7)
Underlying	4.3
3 rd party distribution ¹	1.4
Total	5.7

¹ Relates to Cist operational costs of servicing 3rd parties

Cost growth of 5.7% less than sales growth of 8.7%, resulting in driving a 0.7ppt improvement in margin

CLOTHING & HOME SALES

% Change from 21/22	H1	H2	FY
Total C&H	14.0	9.3	11.5
LFL	13.7	9.0	11.2
Online sales	4.9	4.8	4.8
Store sales	18.8	11.6	14.9

DRIVERS OF ONLINE SALES

52 Weeks Ended	1 Apr 23	2 Apr 22	% Change
Traffic (m)	446.5	405.7	10.1
Conversion (%)	6.7%	7.0%	(30) bps
Average order value (£)	58.6	55.4	5.8
Returns rate (%)	29.5%	25.6%	390 bps
Sales ex VAT (£m)	1,176.4	1,122.7	4.8

DRIVERS OF STORE SALES

52 Weeks Ended	1 Apr 23	2 Apr 22	% Change
Footfall (m) (average/week)	4.5	4.0	12.5
Transaction (m) (average/week)	1.8	1.7	5.9
Basket value inc. VAT (£)	37.4	34.9	7.2
Sales ex VAT (£m)	2,538.6	2,209.5	14.9

CLOTHING & HOME OPERATING PROFIT PERFORMANCE

£m	H1	H2	FY 22/23	FY 21/22	Change vs. 21/22
Sales	1,749.7	1,965.3	3,715.0	3,332.2	11.5%
Operating profit before adjusting items	171.4	152.4	323.8	330.7	-2.1%
<i>Operating margin</i>	9.8%	7.8%	8.7%	9.9%	-120bps

Includes business rates relief of £35.2m



M&S Collection

- Pure Cotton Striped Polo, £8.00
- Cotton Rich Zip Hoodie, £13.00
- Relaxed Pure Cotton Jeans, £18.00
- Pure Cotton Crew Neck T-Shirt, £8.00
- Reversible Bucket Hat, £18.00
- Pure Cotton Baseball Cap, £12.50

CLOTHING & HOME OPERATING PROFIT MARGIN BRIDGE

	%
Operating profit margin before adjusting items	%
21/22	9.9
Business rates relief	(1.0)
Gross margin	(2.9)
Operating costs	2.7
22/23	8.7

Operating cost growth excluding business rates relief	%
Colleague pay, energy and other inflation	4.1
Growth	2.7
Investments/other	1.4
Cost savings and efficiencies	(3.0)
Total	5.2

Cost growth of 5.2% less than sales growth of 11.5%, resulting in driving a 2.7ppt improvement in margin

STRONG RESULTS AS M&S RESHAPES FOR GROWTH
INTERNATIONAL PERFORMANCE

TOTAL INTERNATIONAL

£m	22/23	21/22	Change vs. 21/22
Sales	1,055.0	937.2	12.6%
Operating profit before adjusting items	84.8	73.6	15.2%
<i>Operating margin</i>	8.0%	7.9%	+10bps

INTERNATIONAL EXCLUDING ROI

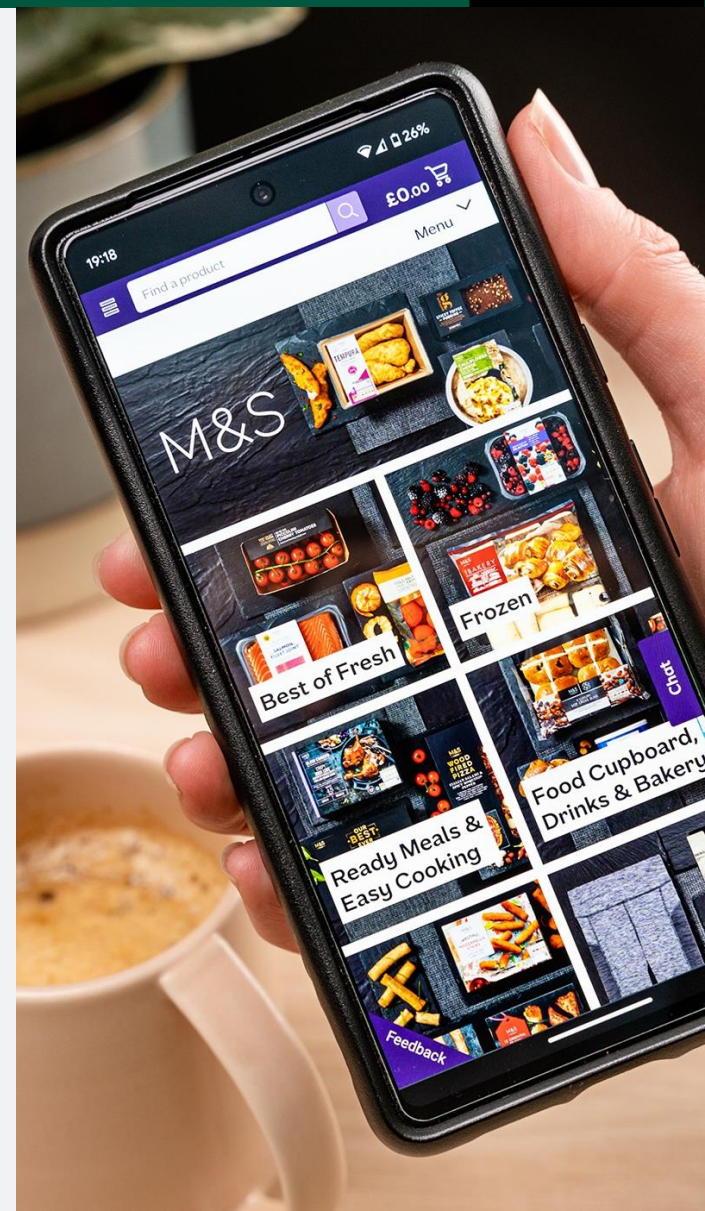
£m	22/23	21/22	Change vs. 21/22
Sales	741.0	637.8	16.2%
Operating profit before adjusting items	67.9	58.2	16.7%
<i>Operating margin</i>	9.2%	9.1%	+10bps



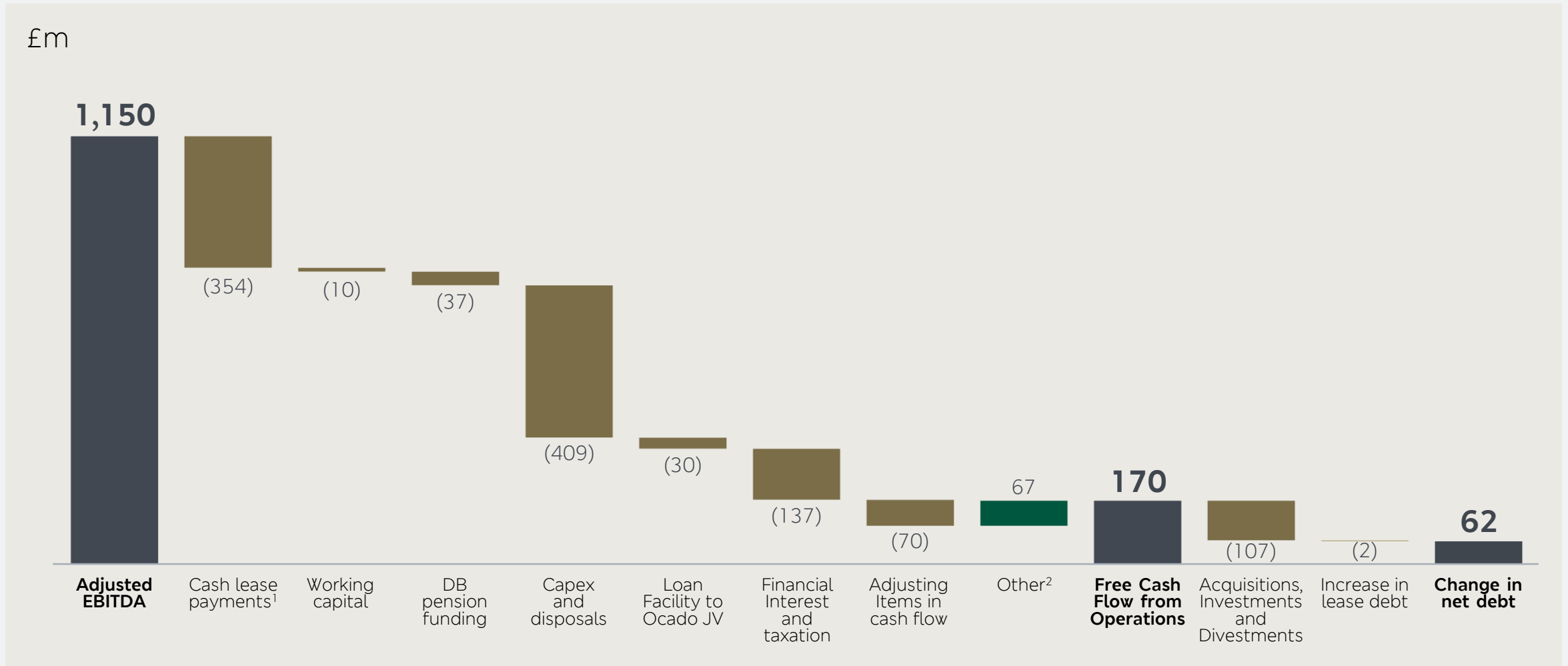
OCADO CONTRIBUTION TO M&S

SHARE OF (LOSS)/PROFIT

£m	52 w/e 26 Feb 23	52 w/e 27 Feb 22	Change £m
Revenue	2,222.0	2,248.8	(26.8)
EBITDA before exceptional items	(15.1)	104.8	(119.9)
Exceptional items	21.2	(14.4)	35.6
Depreciation and amortisation	(69.4)	(41.3)	(28.1)
Operating (loss)/profit	(63.3)	49.1	(112.4)
Net interest charge	(14.3)	(16.4)	2.1
Taxation	18.6	(4.9)	23.5
(Loss)/profit after tax	(59.0)	27.8	(86.8)
M&S 50% share of (loss)/profit after tax	(29.5)	13.9	(43.4)
<i>Memo: M&S sales on Ocado.com</i>	625.6	615.9	9.7



CASH FLOW AND CHANGE IN NET DEBT SINCE START OF YEAR

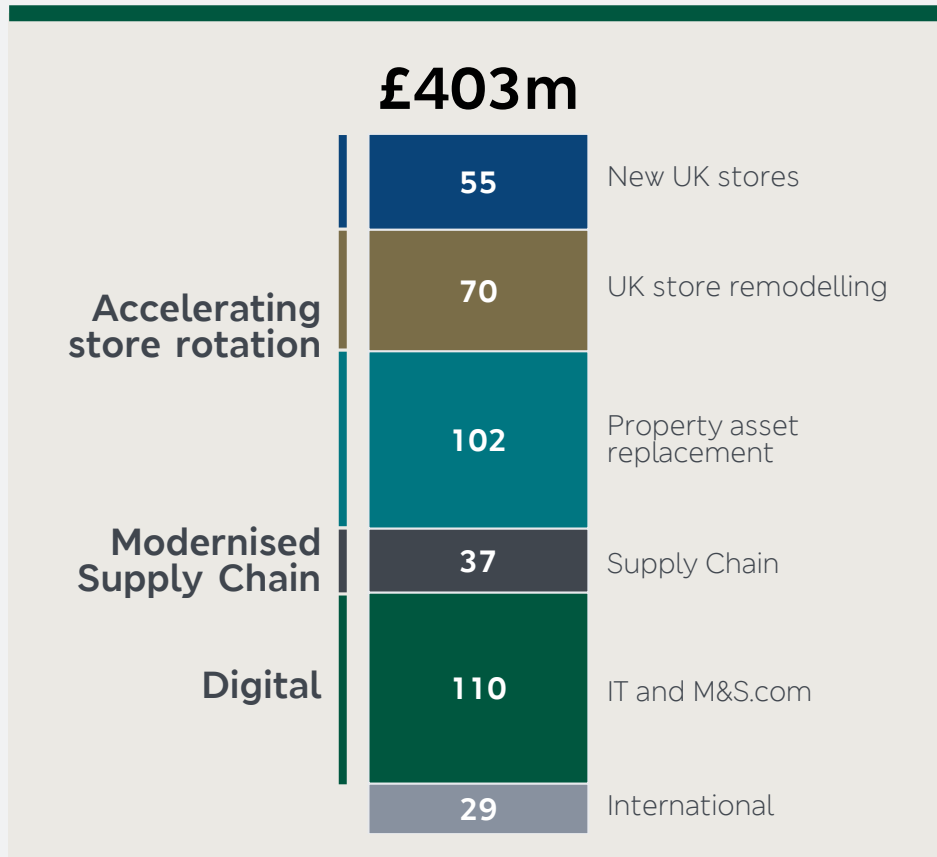


¹ Cash lease payments includes £220.3m repayment of lease liabilities, £11.5m of lease surrenders and £121.9m of interest

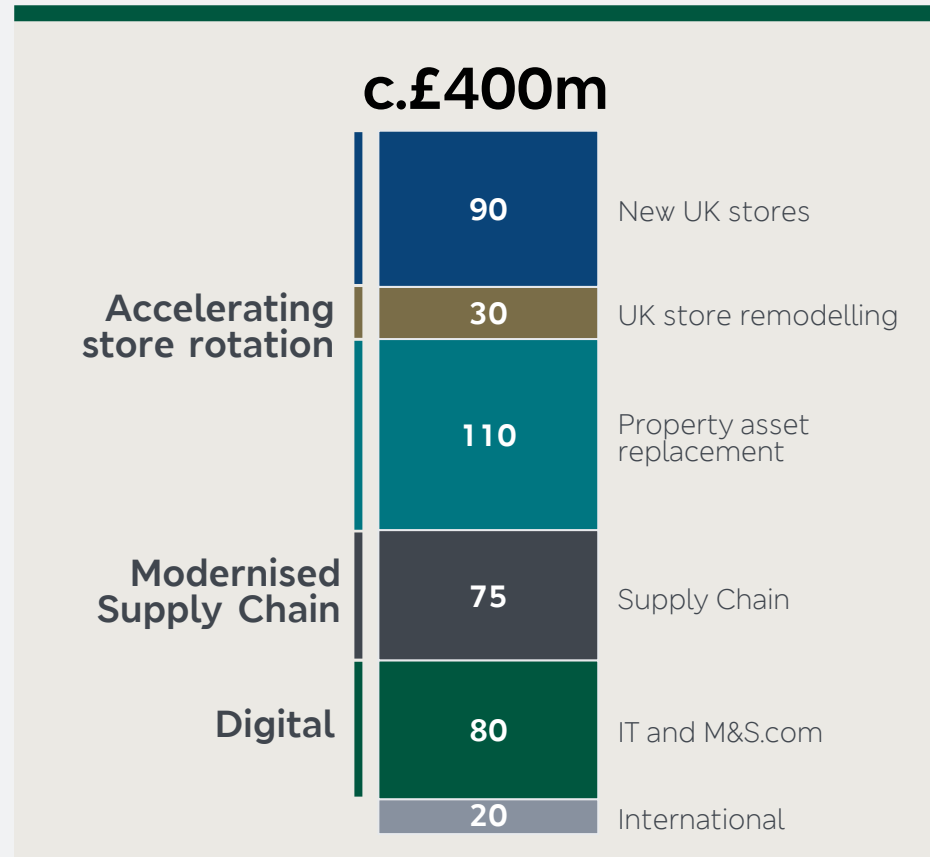
² 'Other' largely relates to reversal of Ocado loss, employee related share transactions and FX on International cash balances

CAPITAL EXPENDITURE INVESTMENT AREAS

CAPEX PRE-DISPOSALS IN 2022/23



CAPEX EXPECTATION FOR 2023/24



STRONG RESULTS AS M&S RESHAPES FOR GROWTH

CAPITAL ALLOCATION PRIORITIES

1

Focus on cash flow generation

2

Invest for growth and structural cost reduction

3

Balance sheet management – maintain and achieve investment grade credit metrics and rating

4

Restore the dividend



STRONG RESULTS AS M&S RESHAPES FOR GROWTH

OUTLOOK AND GUIDANCE FOR 2023/24

Good start to the financial year with both Food and C&H in growth, but given uncertain outlook, expect market conditions to become more challenging

Modest growth in revenues driven by omni-channel growth and store rotation

Investment in trusted value, partly offset by actions to mitigate sourcing cost pressures and supported by structural cost savings of over £150m

Despite facing significant headwinds, we are encouraged by the strong foundations established last year



STUART MACHIN

Chief Executive



TRANSFORMATION PRIORITIES HELPING TO RESHAPE M&S



EXCEPTIONAL PRODUCT,
TRUSTED BRAND

LEADING IN OMNI-CHANNEL
EXPANDED GLOBAL REACH

DELIVER
PROFITABLE SALES
growth

STRUCTURALLY LOWER COST
BASE

HIGH PERFORMANCE
CULTURE

IMPROVE
OPERATING
margins



DISCIPLINED
INVESTMENT
choices

ACCELERATING STORE
ROTATION

MODERNISED SUPPLY CHAIN

COMPELLING CUSTOMER
ECOSYSTEM

DRIVE
SHAREHOLDER
returns

DISCIPLINED CAPITAL
ALLOCATION



CLOTHING & HOME BUILDING STYLE CREDENTIALS

CONFIDENT BUYING DRIVING IMPROVED SALES

Buying deeply into core lines; women's denim share 13%
Investing in areas critical to style perception
Digital analytics supporting buying decisions

STRONG PERFORMANCE IN EVENT CATEGORIES

Formal strong, with men's Autograph sales up c.60%
Casual outperforms as part of focus on 'smart separates'
Home & Kids resilient; building style and driving awareness

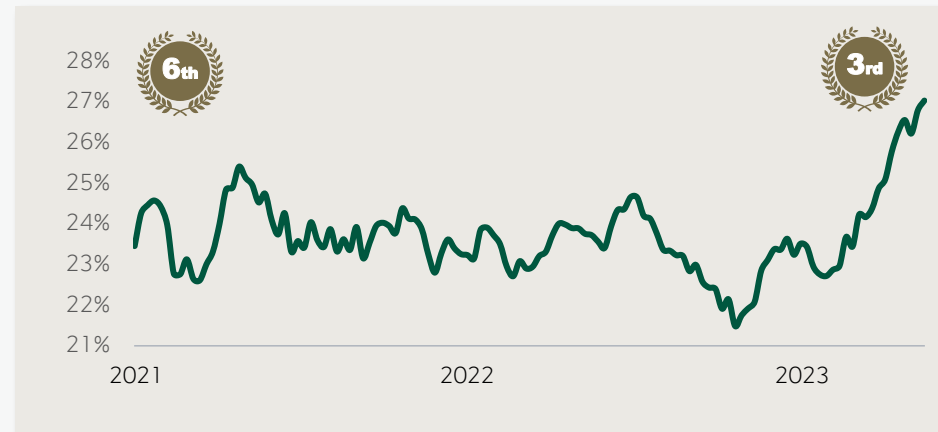
SUSTAINED MARKET LEADING VALUE PERCEPTION

Full price sell through sustained on prior year
Number 1 on value, quality, sustainability perception
Style perception seeing strong improvement

CASUAL CATEGORIES DRIVING GROWTH



STYLE PERCEPTION AND RANKING IMPROVING



Source: YouGov



AUTOGRAPH
Cotton Modal Knitted Polo Shirt, £42.00



FURTHER INVESTMENT IN TRUSTED VALUE

Protecting customers through limiting price inflation
Remarksable, Price Lock and Dine-In investment increased
Mix of value lines up; Remarksable in over c.20% of baskets

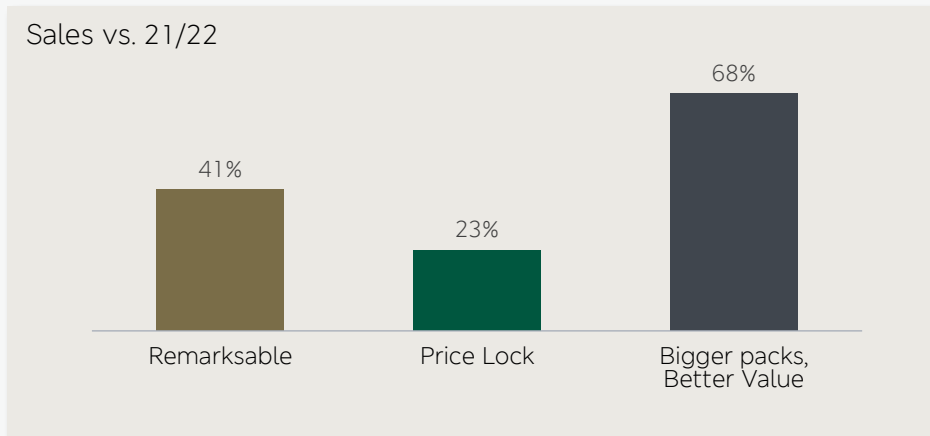
LEADING INNOVATION IN CENTRE-PLATE CATEGORIES

200 awards for innovation include RSPCA assured chicken
Strong seasonal and event sales; c.20% increase
Category resets in Homecare, Cereals, Frozen Desserts

QUALITY AND VALUE PERCEPTION HIGHEST IN YEARS

Extended lead in quality perception
Strong position on sustainability
Value perception highest in six years

TRUSTED VALUE RANGES GROWING



*Bigger Pack, Better Value

VALUE PERCEPTION SIGNIFICANTLY INCREASING



Source: M&S Internal data based on You Gov

REMARKSABLE VALUE

M&S quality.
Everyday low price.



“I saved so much
I am now a
loyal shopper”

@mrsclaudiaanderson (465k views)

“I bagged loads
of great bargains
and the quality
was brilliant”

@amejay_xo (125k views)



KATIE BICKERSTAFFE

Co-Chief Executive



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M&S Collection
Cotton Rich Textured Knitted Vest, £27.50
Denim High Waisted Bermuda Shorts, £29.50
Leather Weave Jean Belt, £19.50

ONLINE GROWTH WITH CLICK & COLLECT STRENGTH

Online sales grew 4.8% despite challenging comparatives
Click and Collect continues to grow; +20% year-on-year
Returns rates normalised to pre-Covid levels

SPARKS AND APP HELPING RETAIN CUSTOMERS

M&S active App users increases by c.40%
Sparks & App create personalised 'shop front' to M&S
Personalisation growing; 1.3bn interactions, c.22% total

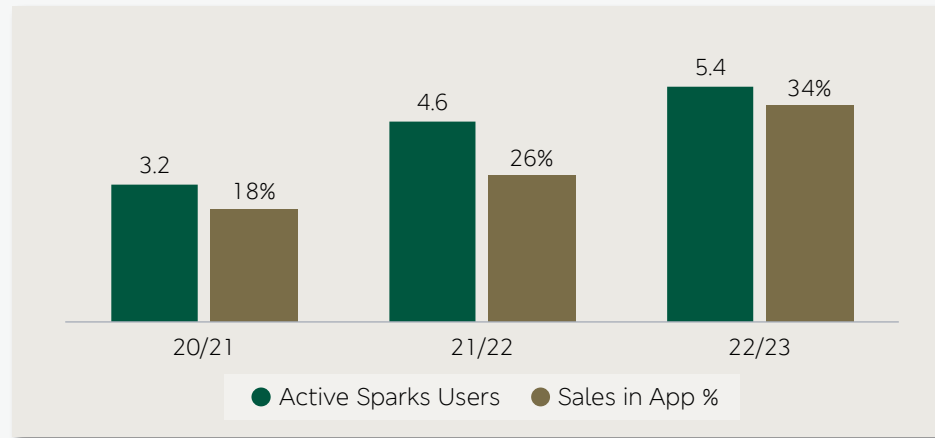
CREATING CONSISTENT SERVICE ACROSS CHANNELS

Digital Click and Collect being rolled to the estate
In-store fulfilment expanding capacity over peak periods
Simplifying returns process through local 'hub' stores

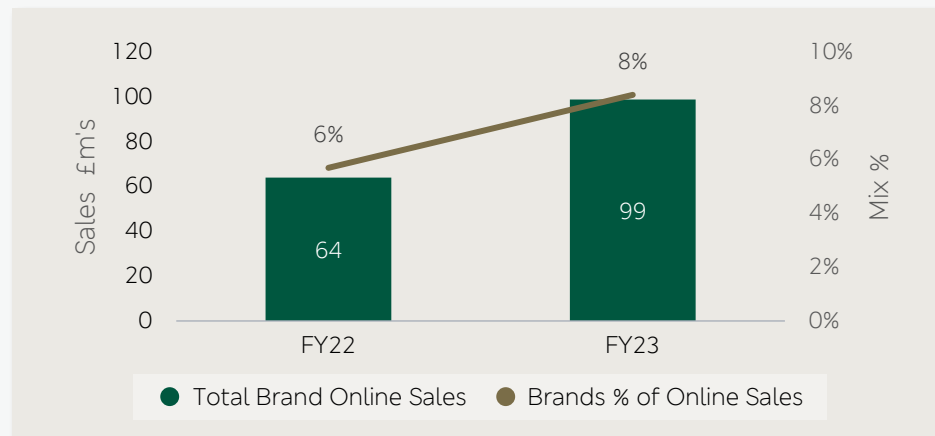
EARLY-STAGE GROWTH OF 3RD PARTY BRANDS

Trading with over 140 partners, with increasing relevance
Total 3rd party clothing brand sales doubled
Dropship to smooth on-boarding and reduce cost

GROWTH IN ACTIVE SPARKS USERS AND APP SALES



3RD PARTY BRAND ONLINE SALES AND MIX



NOBODY'S CHILD
Floral V-Neck Button Through
Midi Tea Dress, £49.00

OCADO RETAIL RESET, M&S FOOD IN GROWTH

RESETTING THE CUSTOMER PROPOSITION

'Perfect Execution' focus to improve customer service
Investing in value to broaden appeal
Working on improved front end experience in next phase

MORE COLLABORATION BETWEEN OCADO AND M&S

M&S range increasing, over 300 core lines added
Developing the M&S omni-channel Food offer
Further efficiencies sought in sourcing and logistics

IMPROVING OPERATING COSTS

Network optimisation; Hatfield ceasing operations
Shifting volume to more productive sites
Marketing efficiencies and overhead reductions

SUBSTANTIAL GROWTH AND PROFIT POTENTIAL

Strength of M&S Brand, coupled with Ocado's technology
Buying synergies generating increased M&S volumes
Invested capacity to grow sales and recover profitability

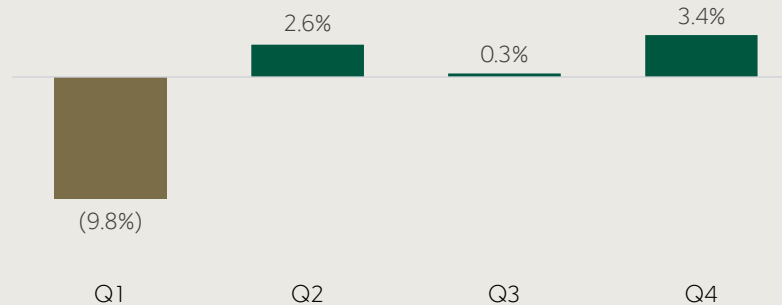
ACTIVE CUSTOMERS CONTINUE TO GROW

Average Active Customers at Year End (000's)



LAST THREE QUARTERS IN GROWTH

Ocado Retail Sales by Quarter vs LY (%)



DEMAND RECOVERY ACROSS PARTNER MARKETS

Partner sales driven by C&H; total retail sales +8%
Strong partner sales in the Middle East and Asia
Resilient performance despite market exits

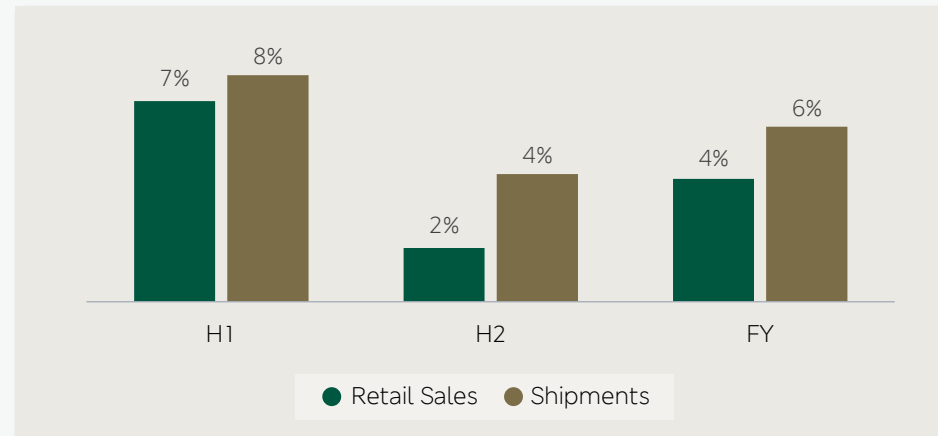
INVESTING IN EUROPEAN OPERATIONS

Online recovery in H2 led by marketplace demand
New Croatia hub supporting EU shipments
Improving customer proposition key focus

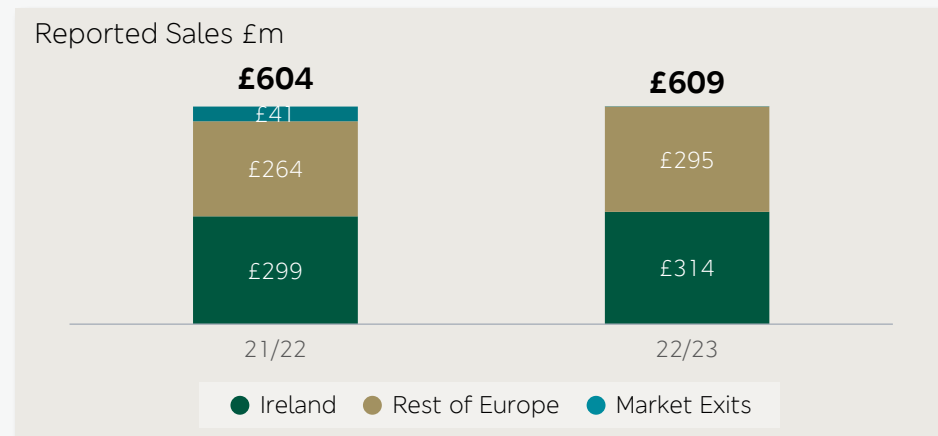
IMPROVING REPUBLIC OF IRELAND FOOD MARGINS

Food operations continued to be impacted by Brexit
Increased local sourcing and cost restructuring
New franchise partnerships; Applegreen encouraging

FRANCHISE SHIPMENTS AHEAD OF RETAIL SALES



GROWTH IN EUROPE DESPITE MARKET EXITS



STUART MACHIN

Chief Executive



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STRONG RESULTS AS M&S RESHAPES FOR GROWTH STRUCTURALLY REDUCING COSTS

INCREASING RETAIL EFFICIENCY

70% food transactions self-serve in self-checkout stores
Implementing efficient labour scheduling process
Investing to reduce energy costs

REDUCING COST IN THE SUPPLY CHAINS

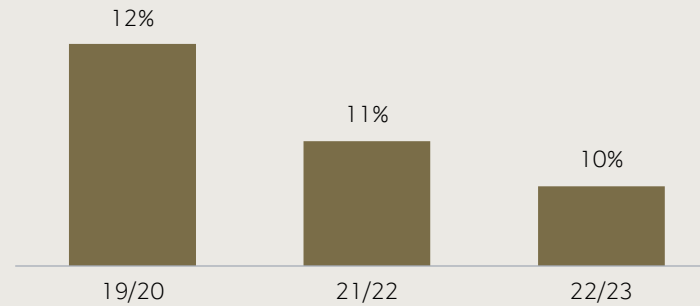
Simpler single tier network
Improved returns processes, reducing stock movements
Investing in automation to drive down costs

SIMPLER, STREAMLINED SUPPORT CENTRE

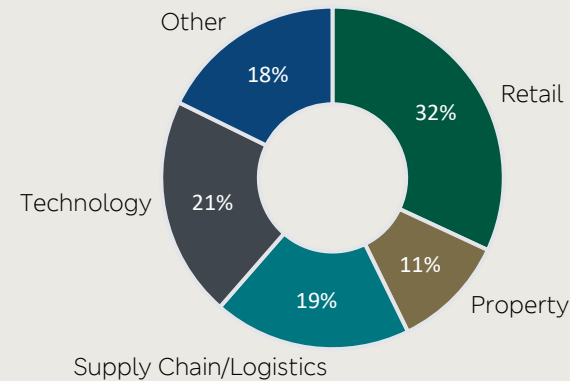
Digital and tech teams combined, improving efficiency
Streamlining central functions to reduce cost
Closer to colleagues and customers

ALREADY ACHIEVING TARGET RETAIL COST TO SERVE

Cost to Serve % of Sales



PLANNED STRUCTURAL COST REDUCTIONS BY CATEGORY



STRONG RESULTS AS M&S RESHAPES FOR GROWTH

CREATING A CULTURE OF DELIVERY

CLOSER TO COLLEAGUES AND CUSTOMERS

Substantial investment in pay & reward
Working between stores and offices to increase efficiency
Support centre colleagues working in store



SIMPLER, FASTER ORGANISATION

Digital leadership reset
Technology, digital product and data teams unified
M&S Connect, with Bank and Sparks under one team



RAISING THE BAR ON TALENT

Fast track learning & Future Leaders programmes
Robust goals linked to nine priorities



BUILDING THE SKILLS FOR TOMORROW

Data science and AI apprenticeship expanded
BEAM academy continues to grow
Product Academy for omni-channel selling & service skills



STRONG RESULTS AS M&S RESHAPES FOR GROWTH MAKING DISCIPLINED INVESTMENT CHOICES

ACCELERATING STORE ROTATION

Creating high productivity stores in growth locations
8 new full-line shops & 10 food stores in the coming year
80+ stores in renewal format; supporting bigger baskets

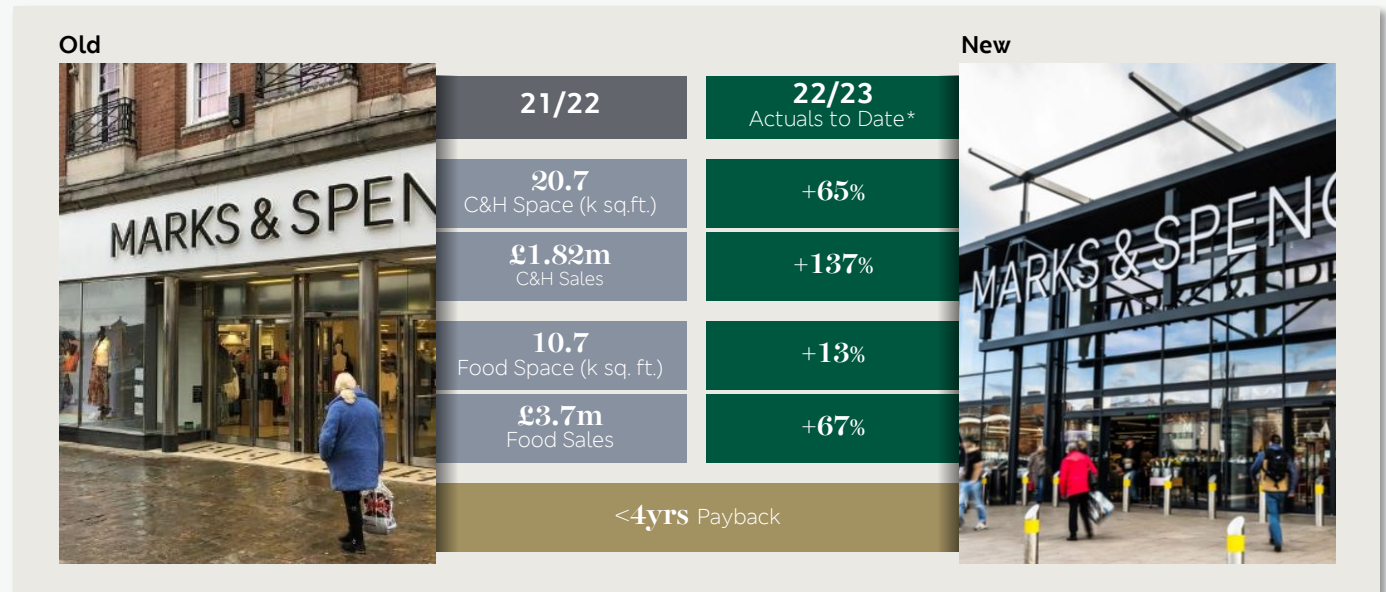
MODERNISING THE FOOD AND C&H SUPPLY CHAINS

Aiming to create a lower cost; flow focused network
C&H: Strategic supply, systems upgrades, omni-network
Food: Gist benefits; new forecasting system, network plan

DIGITALLY CONNECTED CUSTOMER EXPERIENCE

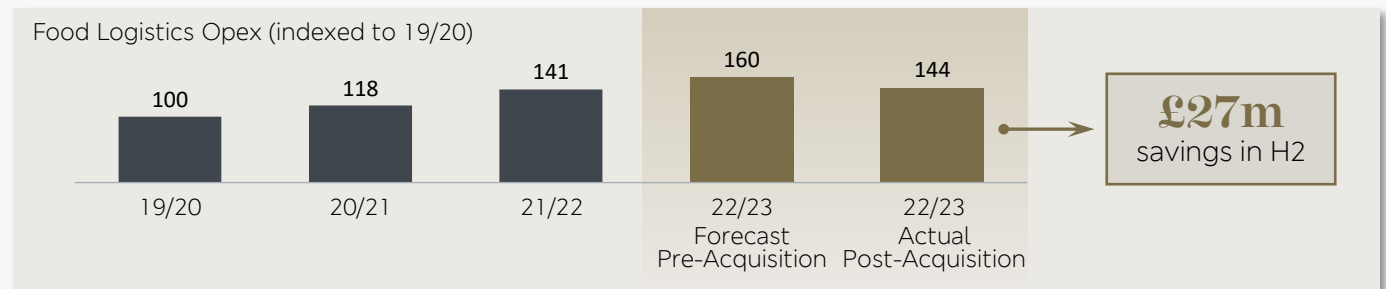
Loyalty and payment supported by efficient technology
Personalisation developed and Sparks Pay launched
Connected experience through unified 'single sign on'

WHAT ROTATION ACHIEVES: CHESTERFIELD EXAMPLE



* 21/22 refers to December 2021 – March 2022. Actuals to date refer to December 2022 – March 2023

GIST ACQUISITION DELIVERS IN-YEAR SAVINGS



FOCUS ON CASH FLOW GENERATION

Prioritising generation of cash flow
Investing in growth and structural cost reduction
Hurdle rates commensurate with risk

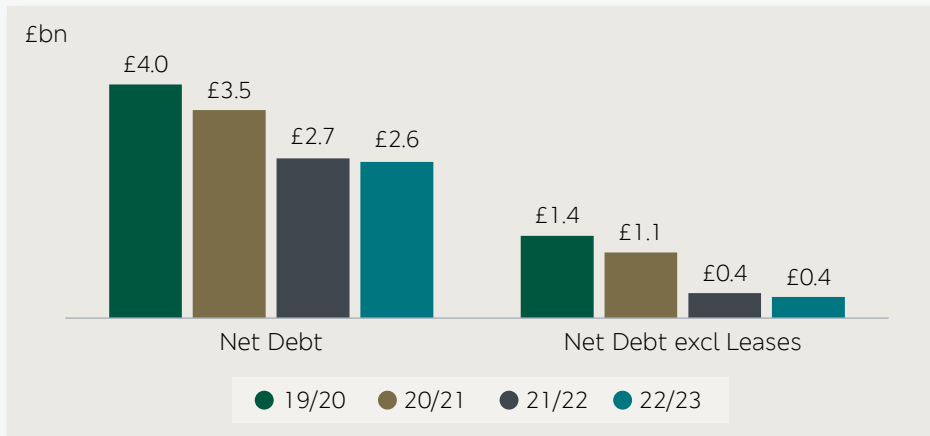
MAINTAINING INVESTMENT GRADE BALANCE SHEET

Objective to achieve/maintain investment grade rating
Net debt reducing and substantial cash balance
Key credit metrics now at 'investment grade' levels

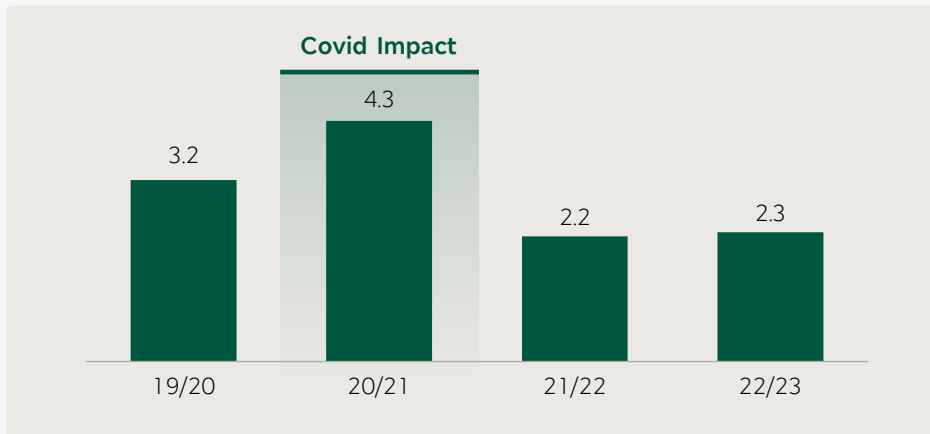
PLAN TO RESTORE DIVIDEND IN FY24

Investments for growth can be funded from cashflow
Modest dividend planned in the coming year

NET DEBT CONTINUING TO REDUCE



NET DEBT: EBITDA SIGNIFICANTLY LOWER THAN 19/20



M&S Collection
 Floral Square Print Midi Smock Dress, £45.00
 Satin Collared Long Sleeve Shirt, £29.50
 Linen Blend Ruched Sleeve Blazer, £59.00
 Twill Wide Leg Trousers, £39.50
 Faux Leather Cross Body Bag, £19.50



STRONG RESULTS AS M&S RESHAPES FOR GROWTH

RESHAPING M&S FOR GROWTH

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DELIVERED STRONG RESULTS

Plans to reshape M&S beginning to drive performance
Customers thinking about M&S differently; greater value in Food, improving style in C&H
Inspiring omni-channel renewal stores; opportunity for M&S growth through Ocado

RESHAPING M&S FOR GROWTH

Continuing to invest in trusted value for customers
Investing in store rotation, supply chain and technology
Structurally reducing costs and driving efficiencies

CONFIDENT OF DELIVERY IN THE YEAR AHEAD

Good start to the year with growth in both businesses
Despite uncertain outlook, optimistic about what can be achieved in the year ahead
The Board plans to restore the payment of dividends to shareholders in FY24





APPENDICES



M&S Collection
Pure Cotton Bardot Beach Top, £35
Woven Tote Bag, £29.50

STRONG RESULTS AS M&S RESHAPES FOR GROWTH

ADJUSTING ITEMS

	£m
Strategic programmes	
UK store estate	(51.3)
Structural simplification	(16.4)
Organisation	(10.7)
UK logistics	(10.5)
Other adjusting items	
Store impairments & other property charges	15.1
Acquisition of Gist Limited	(22.1)
Amortisation and fair value adjustments arising as part of the investment in Ocado Retail Ltd	(14.0)
M&S Bank charges	(2.0)
Franchise restructure	0.4
Remeasurement of Ocado Retail Limited contingent consideration	108.0
Net finance costs incurred in relation to Gist Limited deferred and contingent consideration	(2.8)
Total adjusting items	(6.3)



QUARTERLY SALES PERFORMANCE VS. 21/22

% change to 21/22	Q1	Q2	Q3	Q4	FY
Food	6.6	4.5	10.2	13.2	8.7
Food LFL	3.4	2.5	6.3	9.2	5.4
Clothing & Home	18.2	10.3	8.8	10.2	11.5
Clothing & Home LFL	17.6	10.2	8.6	9.6	11.2
Total UK Sales	10.3	6.5	9.7	12.3	9.6
Total UK LFL	7.9	5.1	7.2	9.3	7.3
International	16.9	10.9	12.5	5.2	11.2
Group Sales*	10.8	6.8	9.9	11.6	9.8
Memo					
M&S.com	5.2	1.1	-0.2	8.3	3.0
Clothing & Home.com	7.0	2.9	0.7	11.1	4.8

*At constant currency



M&S Collection

Cotton Denim Floral Embroidered Jacket, £45.00
Jersey Round Neck Midi Tiered Dress, £27.50

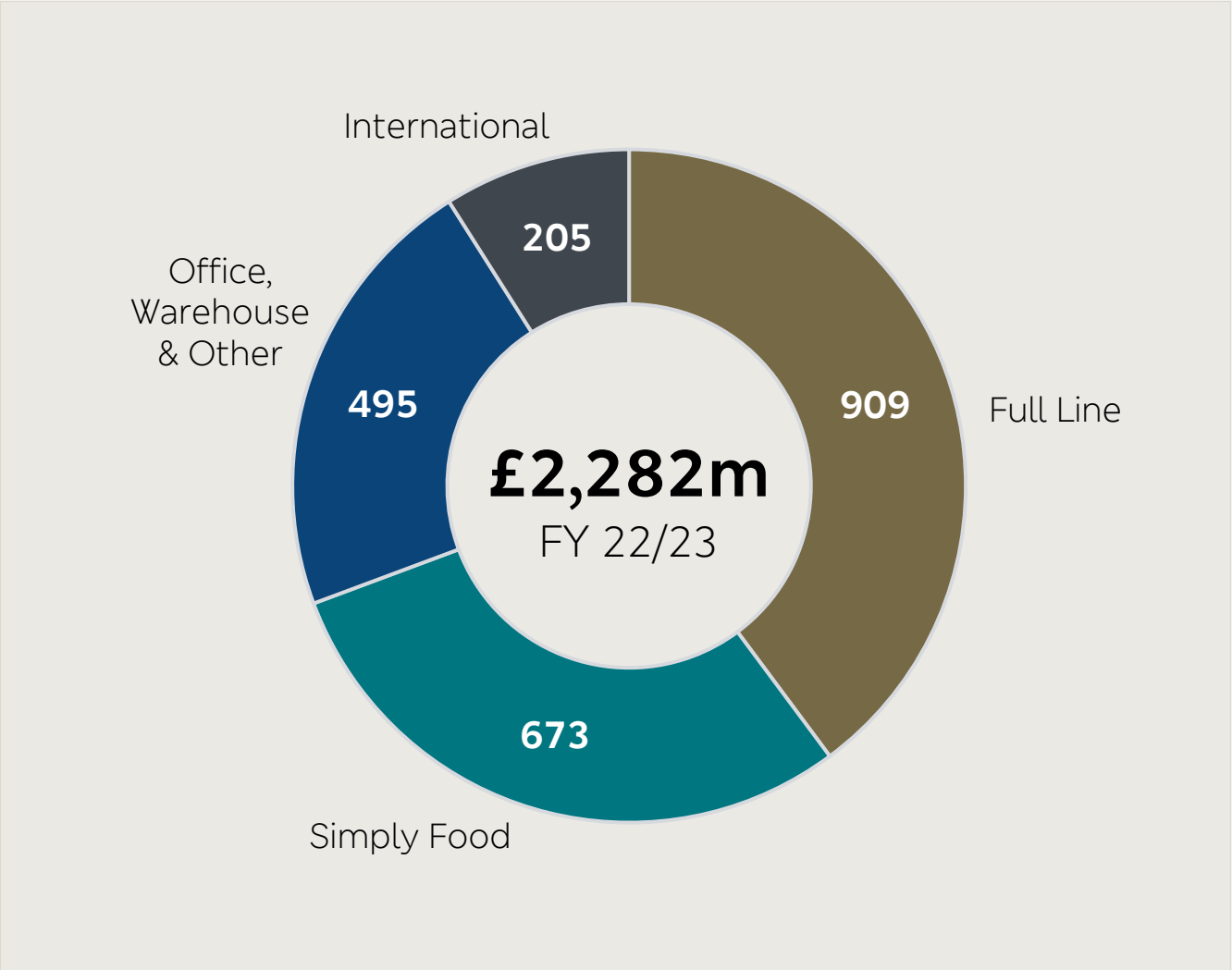
DEPRECIATION AND AMORTISATION

	FY 22/23				
£m	Food	C&H	Intl	Other	Group
Adjusted operating profit	248	324	85	(30)	627
Depreciation					
Tangible asset	112	143	13	-	268
Right of use asset	85	56	25	-	166
Amortisation	33	48	6	-	87
Write off & disposal costs	11	(6)	(3)	-	2
Depreciation & Amortisation	241	241	41	-	523
Underlying EBITDA	489	565	126	(30)	1,150
Interest payable on leases	47	51	13	-	111



STRONG RESULTS AS M&S RESHAPES FOR GROWTH

LEASE LIABILITY BREAKDOWN



STRONG RESULTS AS M&S RESHAPES FOR GROWTH STORES AND SELLING SPACE

		NUMBER OF STORES					
UK	Selling space (m sq. ft)	Mar 23	Mar 22	Openings	Closures	Closures of which: Relocations	Change
Shopping Centre	1.5	16	16	0	0	0	0
Retail Park	4.5	80	77	3	0	0	3
High Street – large	4.8	71	74	0	(3)	0	(3)
High Street	2.2	79	82	0	(3)	(3)	(3)
Full line total	13.1	246	249	3	(6)	(3)	(6)
Outlets	0.3	30	32	0	(2)	0	(2)
Food Stores - Owned	2.6	321	316	6	(1)	0	5
Food Stores - Franchise	0.8	467	463	10	(6)	0	4
UK stores	16.8	1,064	1,060	19	(15)	(3)	4
C&H - Owned	9.9						
Food - Owned	6.1						
International		Mar 23	Mar 22	Openings	Closures		Change
Owned/JV	1.8	159	152	10	(3)		7
Franchise	2.9	247	300	12	(65)		(53)
International stores	4.8	406	452	22	(68)		(46)