



M&S

EST. 1884

**STRONG PERFORMANCE  
DELIVERED BY A MORE  
RESILIENT M&S**

**FULL YEAR RESULTS**

25 MAY 2022



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M&S

Julie

**STEVE ROWE**  
CHIEF EXECUTIVE

# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S WELL POSITIONED FOR NEXT PHASE OF TRANSFORMATION

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**M&S FOOD:** high performing business and market share growth



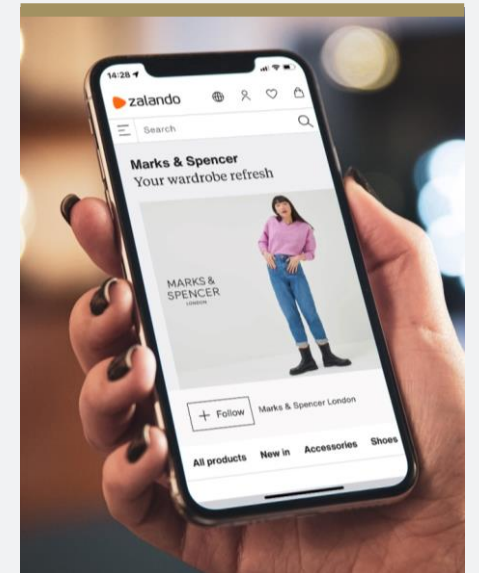
**OCADO** transitioning to strong capacity growth, post pandemic reversion



**CLOTHING & HOME** on track for a more profitable model capable of growth



Building **STORE ROTATION** pipeline, driving exit from legacy stores



**INTERNATIONAL** absorbing Brexit related costs, but embryonic global strategy encouraging

# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S

## FOOD: HIGH PERFORMING AND MARKET SHARE GROWTH



### MARKET SHARE GROWTH DESPITE HEADWINDS

Best performing UK grocery chain  
Absence of online sales in M&S performance  
Gradual recovery in City centres and franchise

### UNDERPINNED BY IMPROVED PERCEPTIONS

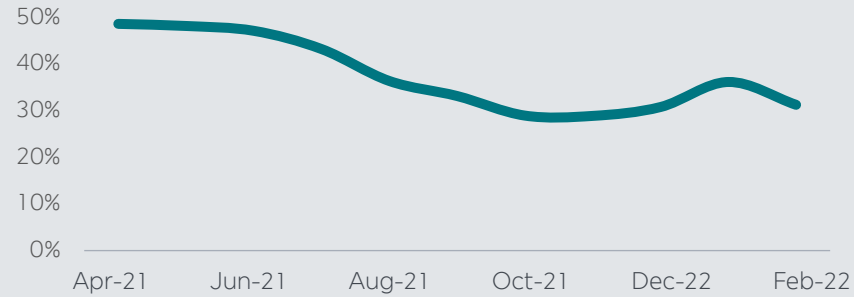
Strong core and larger basket performance  
Substantial programme of relevant innovation  
'Remarksable' and 'Fresh Market Specials' relaunched

### MORE INITIATIVES TO IMPROVE SUPPLY CHAIN

M&S supply chain complex and high cost to serve  
'Vangarde' roll out helping to sustain availability  
Implementation of new systems to reduce waste

### BASKET SIZE HIGHER THAN PRE-COVID LEVELS

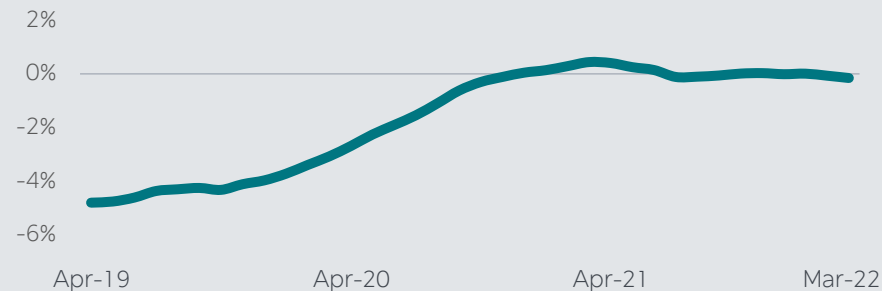
Core basket size vs. 2019/20



Data shown only to February due to the impact of Covid in the comparative figure in March

### IMPROVED VALUE PERCEPTION

Net Score (% Good - % Poor) 52-week average



Source: YouGov. 2nd April 2022 / 4th April 2020 / 6th April 2019

SUMMER SHARING

FAMILY DINE IN

PICK UP ANY 5 ITEMS

5 for £15



# OCADO TRANSITIONING TO STRONG CAPACITY GROWTH



## GROWTH IN CUSTOMERS AS TRENDS NORMALISE

Growth in customers driven by new CFC capacity  
Basket size and trade reflecting pre-Covid behaviours  
Sales outperforming online grocery market

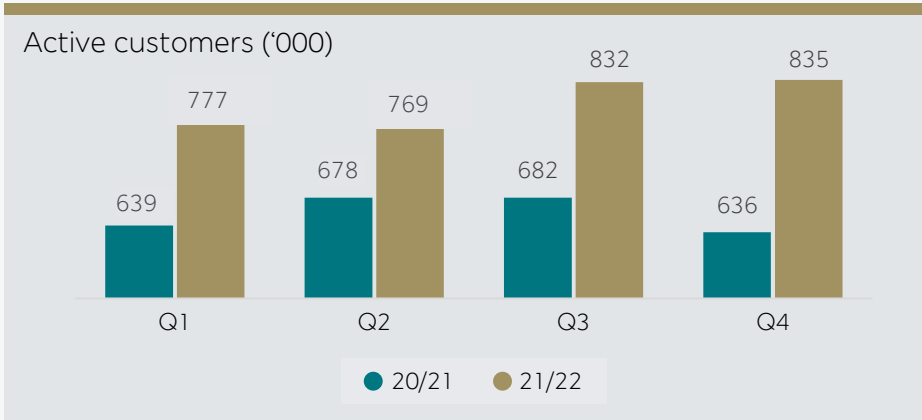
## MARGINS REFLECTING IMMATURE CAPACITY

Andover and Purfleet at half of end game capacities  
Marketing investment and industry cost pressures  
One-off costs from Erith fire and technology upgrade

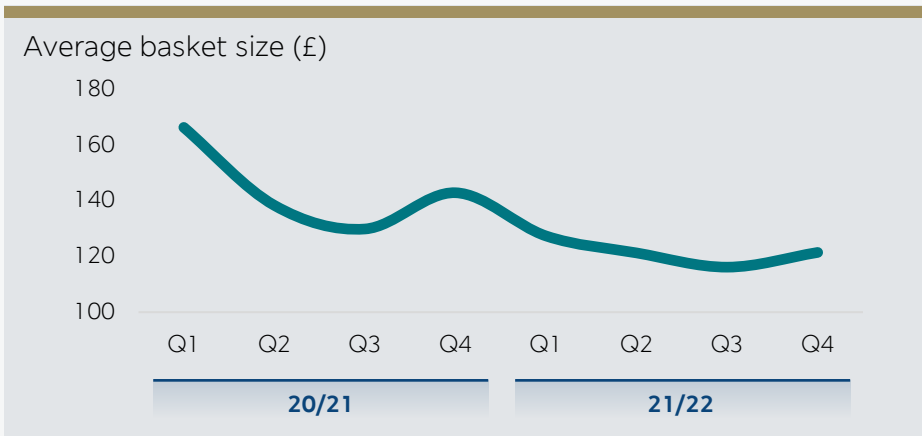
## SUBSTANTIAL POTENTIAL FOR JOINT VENTURE

M&S over 25% sales generating substantial synergies  
Opportunity to exploit M&S brand, data and marketing  
Investment in market leading website capability

## ACTIVE CUSTOMER GROWTH AS NEW CFCS OPEN



## BASKET ECONOMICS NORMALISING



# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S CLOTHING & HOME ON TRACK FOR MORE PROFITABLE MODEL



## RESHAPING THE 'PRODUCT ENGINE'

Focus on contemporary style and streamlined range  
 Sale stock down 34% enabling simpler operation  
 Improved style perception and more confident team

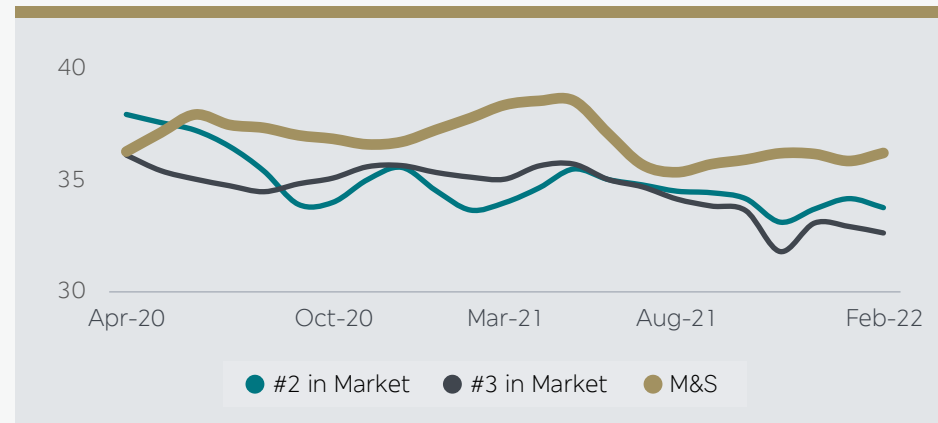
## SHIFTING TO TRUSTED VALUE

Blanket promotions gone improving customer trust  
 Clear pricing; 'Remarksable' now extended to Home  
 Value perception market leading for over 2 years

## STRONG CORE PERFORMANCE

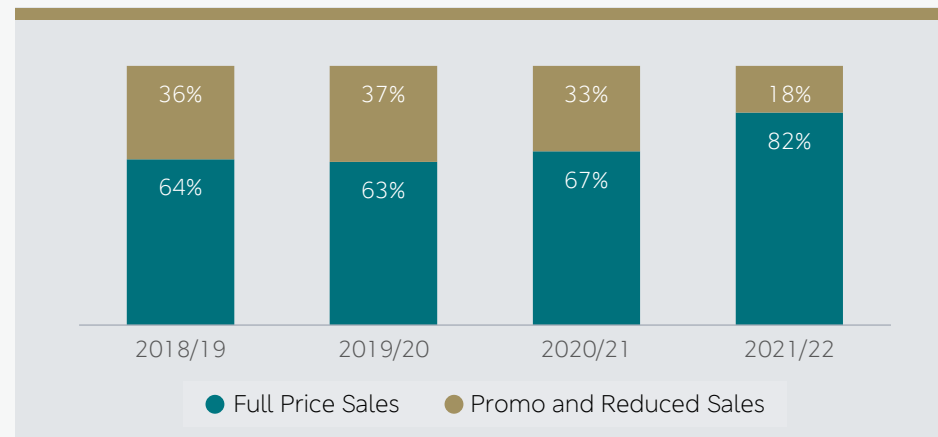
Denim, knitwear, casual deliver strong growth in core  
 Ranges reshaped and realigned to market pricing  
 Formal and holiday recovering as conditions ease

## CONSISTENTLY #1 FOR VALUE PERCEPTION



Source: Yougov

## FULL-PRICE SALES MIX DRIVING PROFIT



Source: Internal data



M&S COLLECTION  
 Linen Rich Hawaiian Shirt, £25.00

# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S CLOTHING & HOME ON TRACK FOR MORE PROFITABLE MODEL



## MS2 DRIVING OMNI-CHANNEL GROWTH

Strong year: C&H online up 55% and margin of c.9%  
Mobile & app growth; over 10% in-store fulfilment  
Sparks now 15m members enabling personalisation

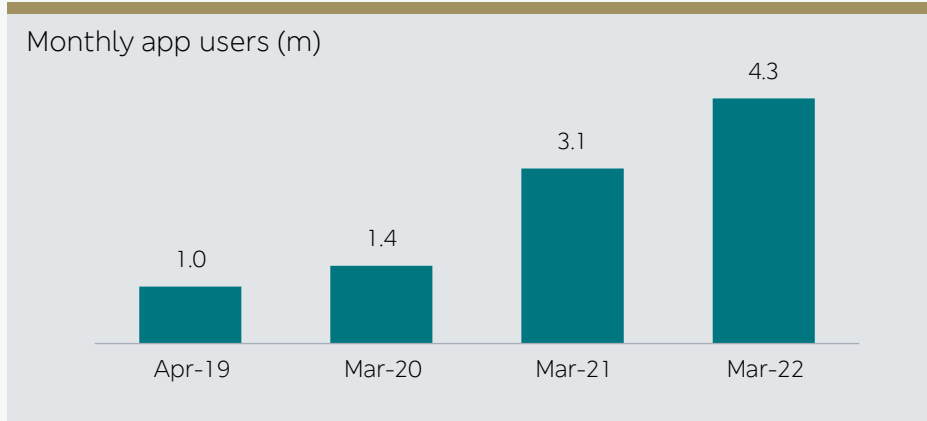
## NASCENT BRANDS PLATFORM ESTABLISHED

Initial brands offer alongside brilliant M&S own label  
c.40 brand partners, own and invested brands  
Accelerating growth with drop ship capability

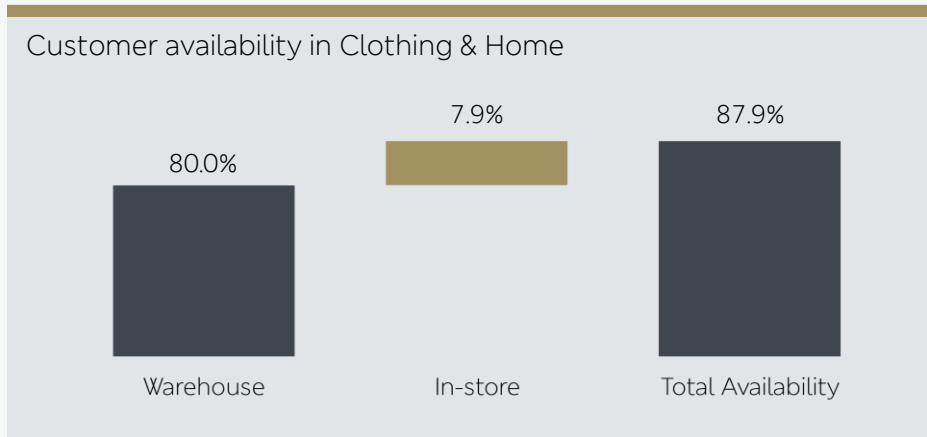
## MORE TO DO TO ADDRESS LEGACY ISSUES

Better systems for range planning & stock tracking  
Better network to support omni-channel growth  
Reducing cost and improving speed of returns

## ACTIVE APP USERS GROWN TO OVER 4M



## IN-STORE FULFILMENT IMPROVING AVAILABILITY



Illustrative data from 11 May 2022



# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S

## STORE ROTATION DRIVING EXIT FROM LEGACY STORES



### GOOD PROGRESS ON STORE ROTATION

Overall target of less than 180 full line stores  
68 full line and 19 small food stores closed to date  
40 Food renewal stores implemented to date

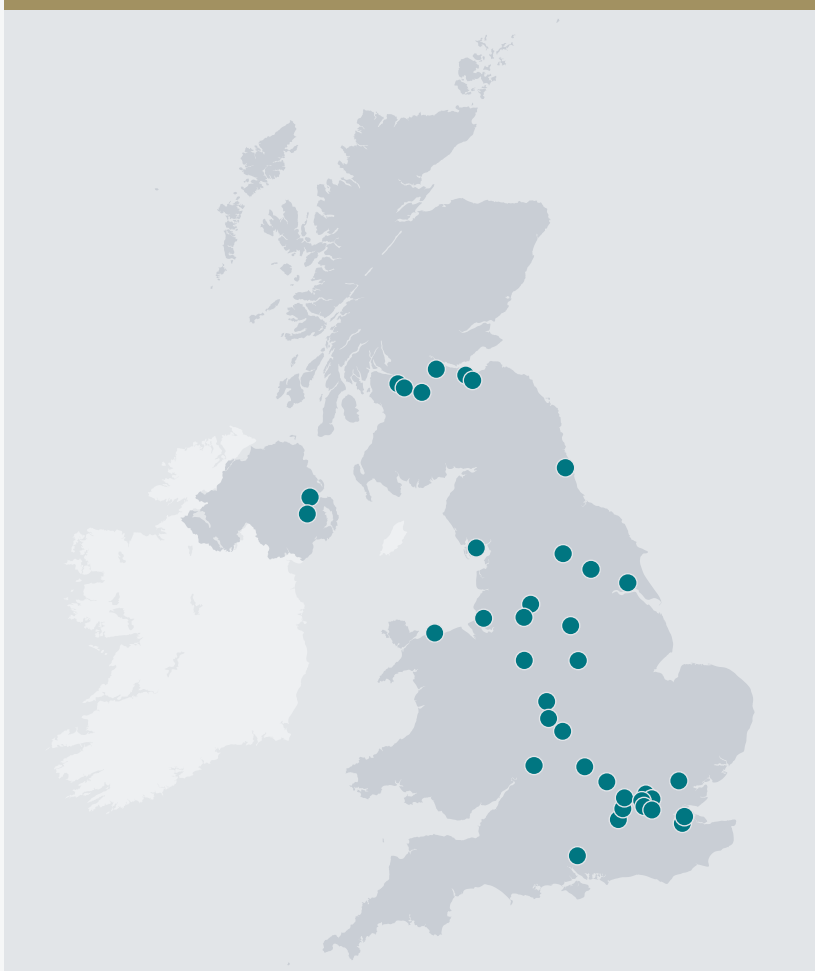
### PROFITABLE ROTATION PIPELINE AHEAD

c.15 new full line, incl. 7 former Debenhams in plan  
c.40 new Food stores in 'renewal' format ahead  
Enabling exit from further [32] legacy full line stores

### STRONG RESULTS FROM NEW OPENINGS

Strong paybacks; and funding from asset disposals  
2020/21 openings delivering paybacks of c.1.5 years  
Driving recapture of C&H sales to accelerate rotation

### RENEWAL FORMAT IN 40 STORES ACROSS THE UK





# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S

## INTERNATIONAL PARTNERS STRONG, ONLINE GROWING



### SOLID GROWTH IN MIDDLE EAST, INDIA & ONLINE

Strong domestic demand in Middle East  
 Substantial bounce-back in India following lockdowns  
 Global online retail sales now over £250m

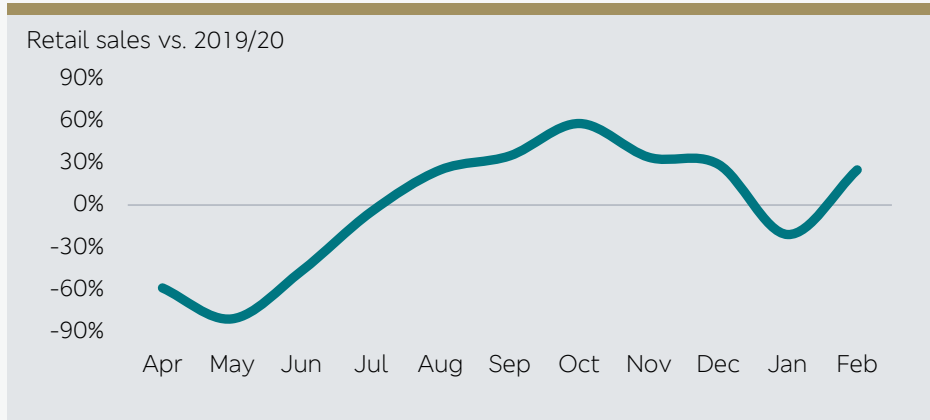
### ADAPTING TO GEO-POLITICAL SHOCKS

Restructured European operations  
 Partly mitigating material cost headwinds in Ireland  
 Ended shipments to Russian market

### EXPLOITING GLOBAL GROWTH OPPORTUNITIES

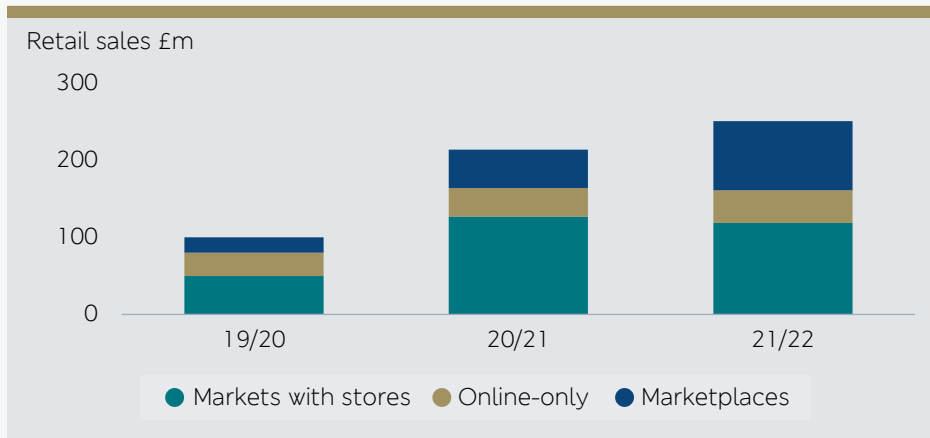
India JV exploring multiple growth options  
 Developing in-store fulfilment globally  
 Marketplaces delivering substantial growth

### STRONG BOUNCE-BACK IN INDIA



Excludes March due to the impact of lockdown in the comparative period

### MARKETPLACES DELIVERING STRONG GROWTH



High Street Phoenix, Mumbai

# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S EXTENDING AND EXPRESSING OUR SUSTAINABILITY LEAD

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## PIONEERING 'PLAN A' ESG PROGRAMME RESET

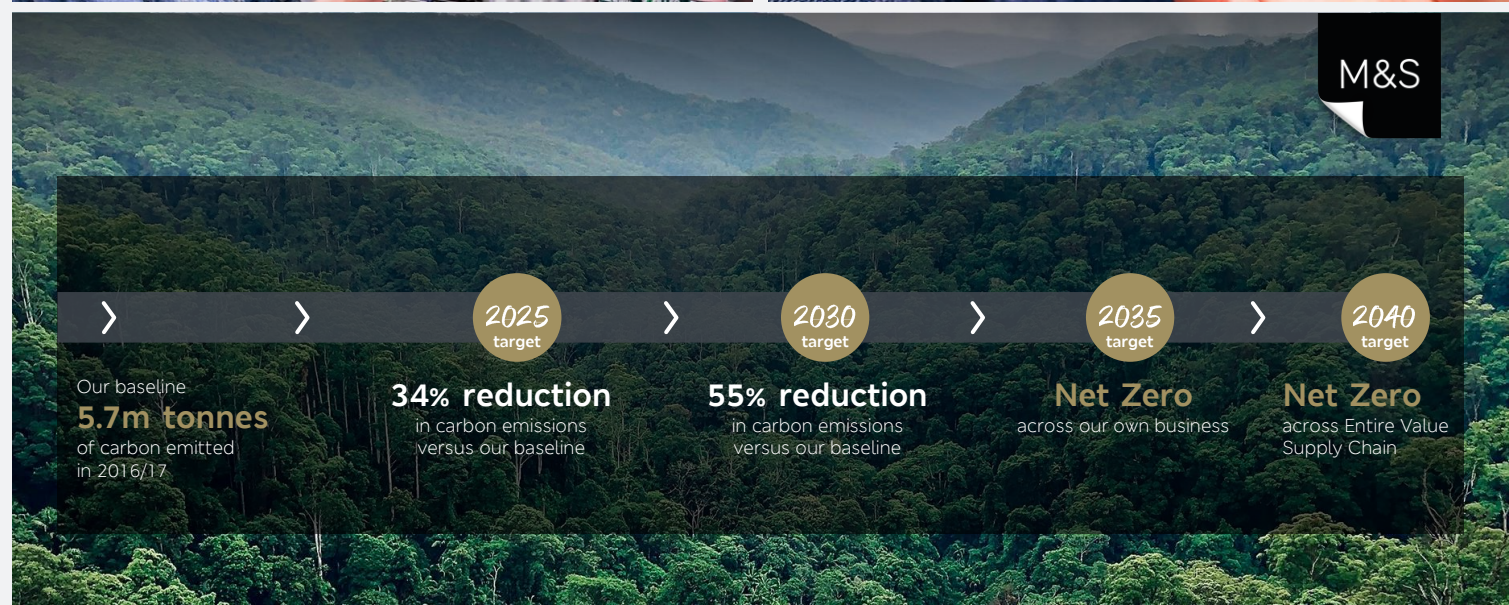
A net zero business across scopes 1, 2 & 3  
Target reduction: 1/3 by 2025, net zero by 2040  
M&S brand heritage of working closely with suppliers

## SOLID PROGRESS ON SUSTAINABILITY

75m items of plastic packaging removed;  
'Take back' plastic packaging bins in over 500 stores  
Sparks rewards for donating 'pre-loved' clothing

## INVESTING IN & COMMUNICATING ESG LEAD

Wider sustainability concerns now an enduring trend  
M&S well placed through Sparks, suppliers, innovation  
Opportunities in circular fashion & low impact farming



PICK UP

PICK UP



**EWIN TONGE**  
CHIEF FINANCE OFFICER

Check  
know  
and  
par

I've been doing  
the rounds

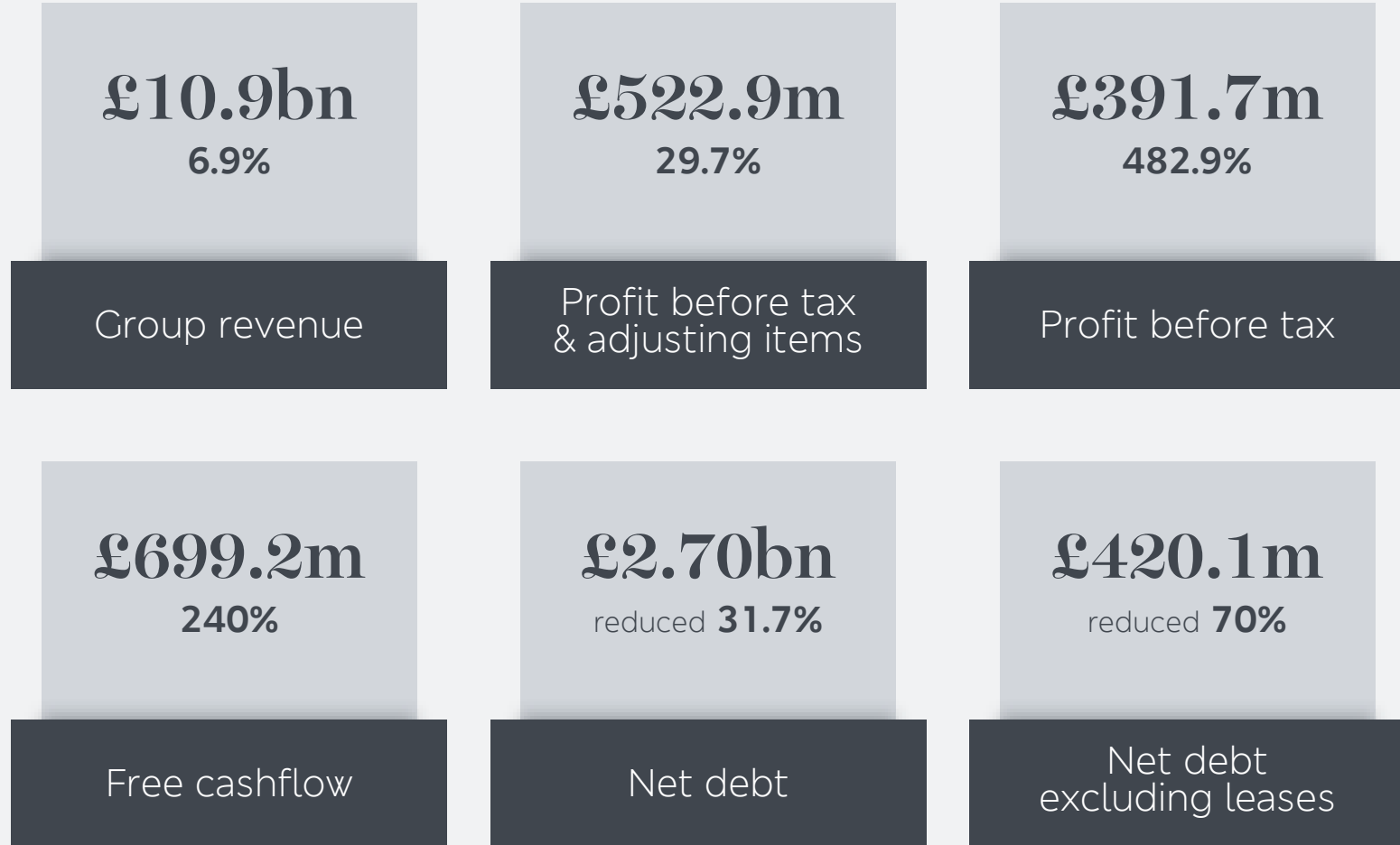
M&S

I've been doing  
the rounds

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This box is made from recycled card.  
We're turning the old into new.

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**FULL YEAR FINANCIALS AT A GLANCE**



# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S

## FOOD PERFORMANCE

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### REVENUE

% change to 19/20	Q1	Q2	Q3	Q4	FY
Total Food	9.4	11.5	12.4	7.0	10.1
Food (ex hospitality and franchise)	17.0	16.8	16.4	8.6	14.7

### SHAPE OF CHAIN

% change to 19/20		% change to 19/20	
Simply Food	+23	High Street	-8
Retail parks	+22	City centre	-14
Franchise fuel	+11	Franchise travel (rail/air/roadside)	-39

### CATEGORY MIX

% change to 19/20		% change to 19/20	
Frozen	+27	Food-on-the-move	-11
Beers, wines & spirits	+23	Hospitality	-40
Grocery & household	+20		
Meat, fish, poultry, deli	+17		
Bakery	+15		
Produce & flowers	+13		



# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S FOOD PERFORMANCE



## OPERATING PROFIT

£m	21/22	20/21	19/20	Change vs. 19/20
Sales	6,639.6	5,994.8	6,028.2	10.1%
Operating profit before adjusting items	277.8	213.6	236.7	17.4%
<i>Operating margin</i>	4.2%	3.6%	3.9%	+30bps



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**FOOD OPERATING PROFIT BRIDGE**



Operating profit margin before adjusting items	%
<b>19/20</b>	<b>3.9</b>
Gross margin	0.2
Store staffing	1.4
Other store costs	0.4
Distribution and warehousing	(1.1)
Central costs	(0.6)
<b>21/22</b>	<b>4.2</b>



# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S

## OCADO CONTRIBUTION TO M&S (VS. 2020/21)

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### SHARE OF PROFIT

£m	52 w/e 28 Feb 22	52 w/e 28 Feb 21	Change %
Revenue	2,248.8	2,353.2	-4.4
EBITDA before exceptional items	104.8	189.9	-44.8
Exceptional items	(14.4)	50.5	-128.5
Operating profit	49.1	204.2	-76.0
Profit after tax	27.8	156.8	-82.3
<b>M&amp;S 50% share of profit after tax</b>	<b>13.9</b>	<b>78.4</b>	<b>-82.3</b>
<i>Memo: M&amp;S sales on Ocado.com</i>	<i>615.9</i>	<i>319.1</i>	<i>93.0</i>

\*M&S products launched on Ocado.com partway through the year ended 28 February 2021





# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S CLOTHING & HOME PERFORMANCE

## SALES

% change to 19/20	Q1	Q2	Q3	Q4	FY
Sales	-4.2	2.0	3.2	17.3	3.8
Online sales	59.2	62.3	50.8	52.1	55.6
Store sales	-21.2	-14.3	-10.9	5.6	-11.2
<i>Memo: Full price sales at dispatch</i>	20.6	14.3	33.7	51.9	28.5
Statutory revenue	-4.6	1.4	2.4	16.0	3.1



## ONLINE METRICS

52 Weeks Ended	2 Apr 22	28 Mar 20	% Change vs. 2019/20
Traffic (m)	405.7	308.8	31.4
Active customers (m)	9.0	5.9	52.5
Conversion (%)	7.0	6.3	+70 bps
Average order value (£)	55.4	51.5	7.6
Returns rate (%)	25.8	28.0	- 220 bps
Sales ex VAT (£m)	1,122.7	721.3	55.6

## STORES METRICS

52 Weeks Ended	2 Apr 22	28 Mar 20	% Change vs. 2019/20
Footfall (m) (average/week)	4.0	5.9	-32.2
Transaction (m) (average/week)	1.7	2.1	-19.0
Basket value	34.9	32.3	8.0
Sales ex VAT (£m)	2,209.5	2,487.8	-11.2

# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S CLOTHING & HOME PERFORMANCE



## OPERATING PROFIT

£m	21/22	20/21	19/20	Change vs. 19/20
Sales	3,332.2	2,198.6	3,209.1	3.8%
Operating profit/(loss) before adjusting items	330.7	(129.4)	223.9	47.7%
<i>Operating margin</i>	9.9%	-5.9%	7.0%	+290bps



**GOODMOVE**  
Waterproof Hooded Parka, £99.00

STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S  
**CLOTHING & HOME OPERATING PROFIT BRIDGE**



Operating profit margin before adjusting items	%
<b>19/20</b>	<b>7.0</b>
Gross margin	1.5
Store staffing	2.6
Other store costs	1.5
Distribution and warehousing	(1.7)
Central costs	(1.0)
<b>21/22</b>	<b>9.9</b>



# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S

## INTERNATIONAL PERFORMANCE



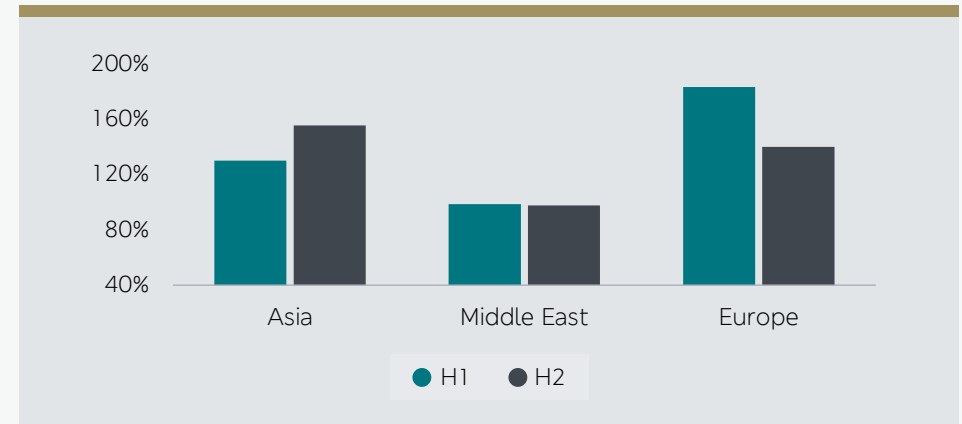
### RETAIL SALES

% change to 19/20 <sup>1</sup>	Q1	Q2	Q3	Q4	FY
Total	-8.7	3.8	8.9	14.4	4.3
Online	191	141	128	158	152
Stores	-20.3	-5.1	0.6	3.0	-5.7
Clothing & Home	-7.8	8.6	15.6	28.3	10.2
Food	-10.9	-7.4	-5.7	-11.2	-8.6

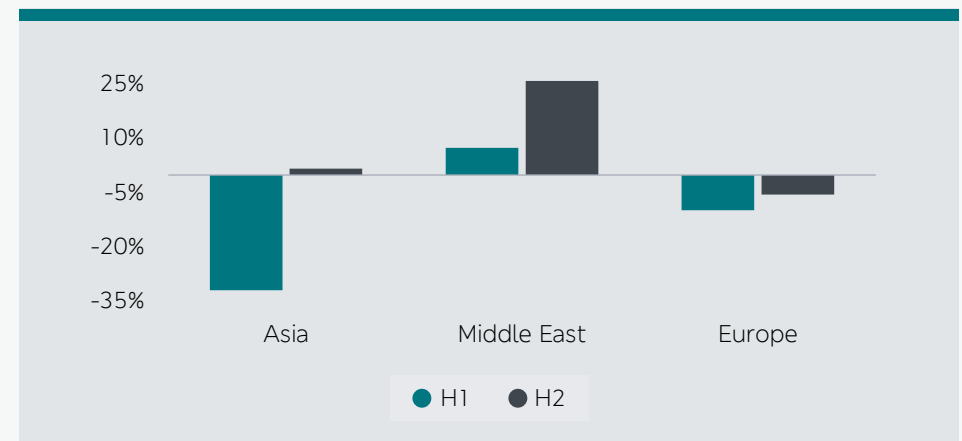
<sup>1</sup> At constant currency



### ONLINE SALES BY REGION



### STORE SALES BY REGION



# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S

## INTERNATIONAL OPERATING PROFIT BRIDGE

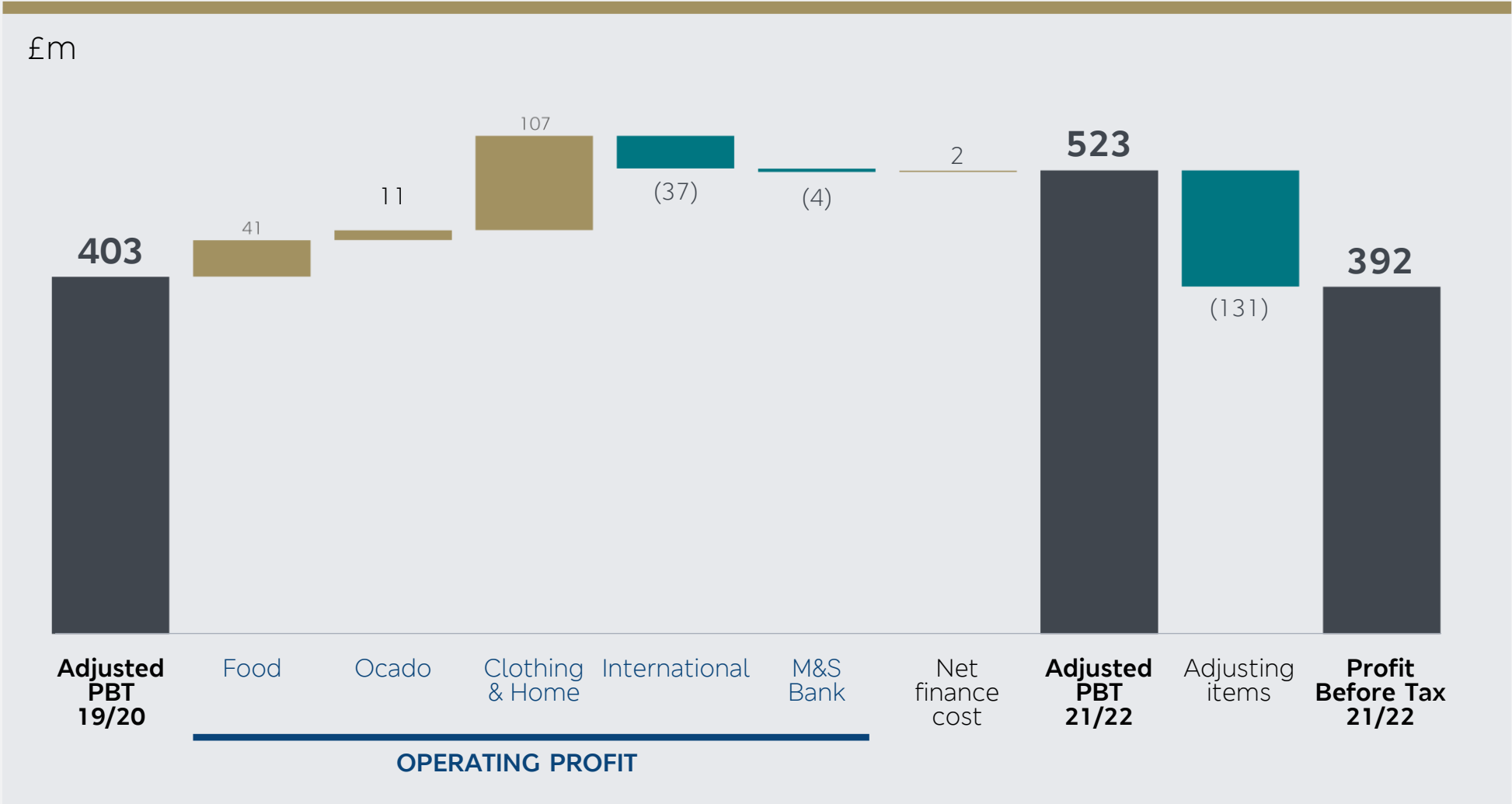


Operating profit margin before adjusting items	%
<b>19/20</b>	<b>11.7</b>
Gross margin	(0.1)
Store staffing	1.0
Other store costs	1.0
Distribution and warehousing	(3.0)
Central costs	(2.7)
<b>21/22</b>	<b>7.9</b>



# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S

## GROUP PROFIT BRIDGE



# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S

## ADJUSTING ITEMS

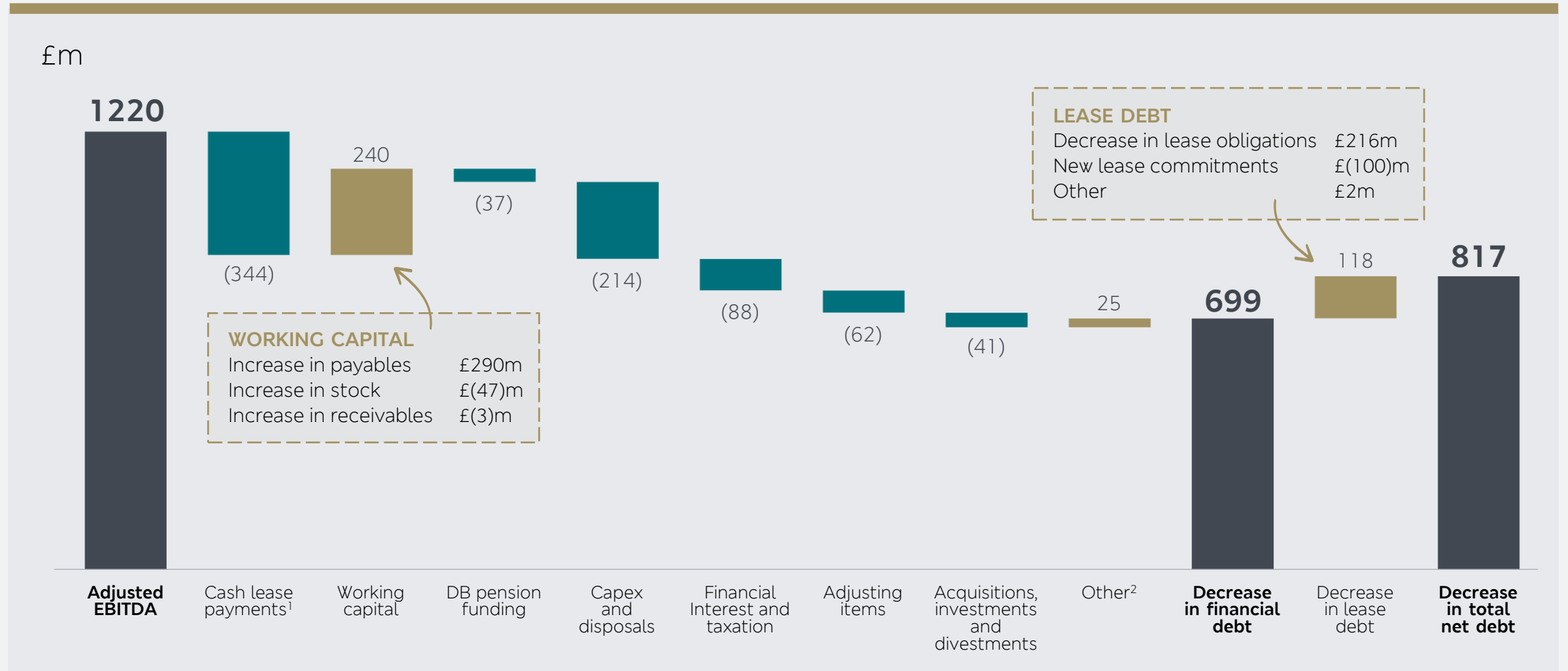
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	£m
<b>Strategic programmes</b>	
UK store estate	(161.4)
UK logistics	21.9
Organisation	14.3
Other	0.4
Store impairments & other property charges	60.0
Franchise restructure	(41.3)
Ocado Retail amortisation & adjustments	(32.5)
Directly attributable to Covid	17.8
M&S Bank charges	(16.0)
Other	5.6
<b>Total adjusting items</b>	<b>(131.2)</b>



# CASH FLOW AND CHANGE IN NET DEBT SINCE START OF YEAR



<sup>1</sup> Cash lease payments includes £216.0m decrease in lease obligations and £128.3m interest  
<sup>2</sup> 'Other' includes reversal of Ocado income, offset by employee related share transactions



# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S

## OUTLOOK FOR 2022/23

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### MARKET OUTLOOK

Overall trading in the first six weeks ahead of comparable period in 2021/22

We are planning for an adverse impact on volumes as a result of price inflation

We believe our market positioning and business strategy will help us mitigate these effects

### GUIDANCE

This coming year, the business will **not receive business rates relief**, which was £60m in 21/22

In our International business, we expect continued recovery, although **we will not have a profit contribution from Russia**

As we invest in capacity growth in Ocado retail, we anticipate a **minimal contribution of share of net income**

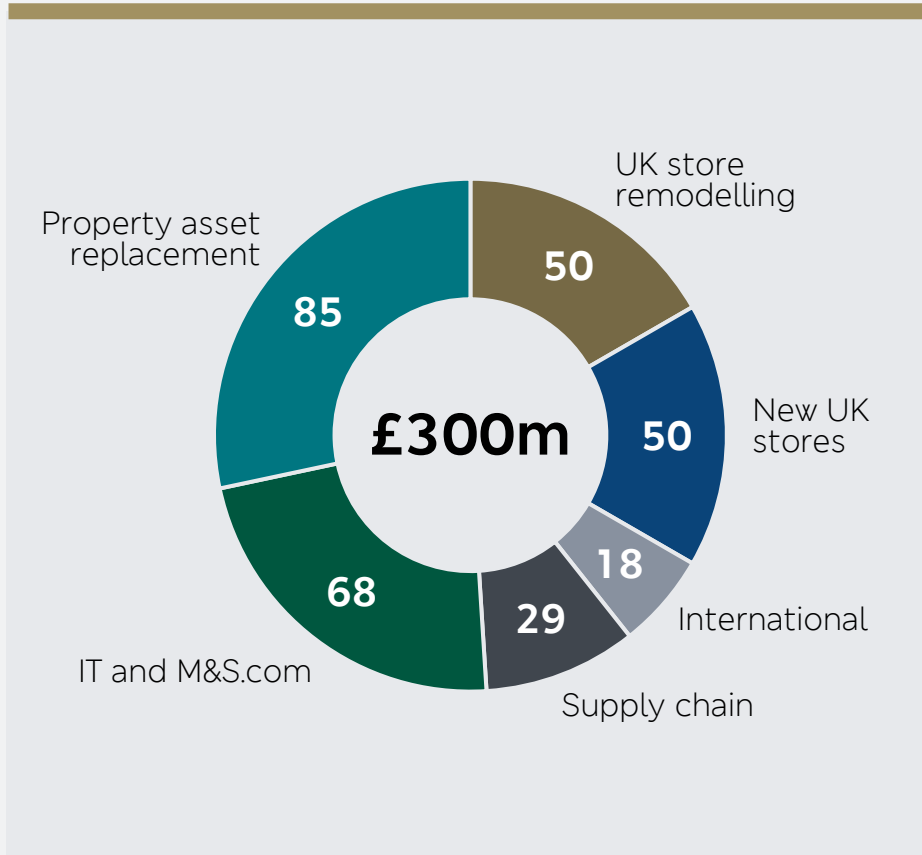
We therefore start 22/23 from a lower profit base. **At this early stage we do not expect progress from this base**



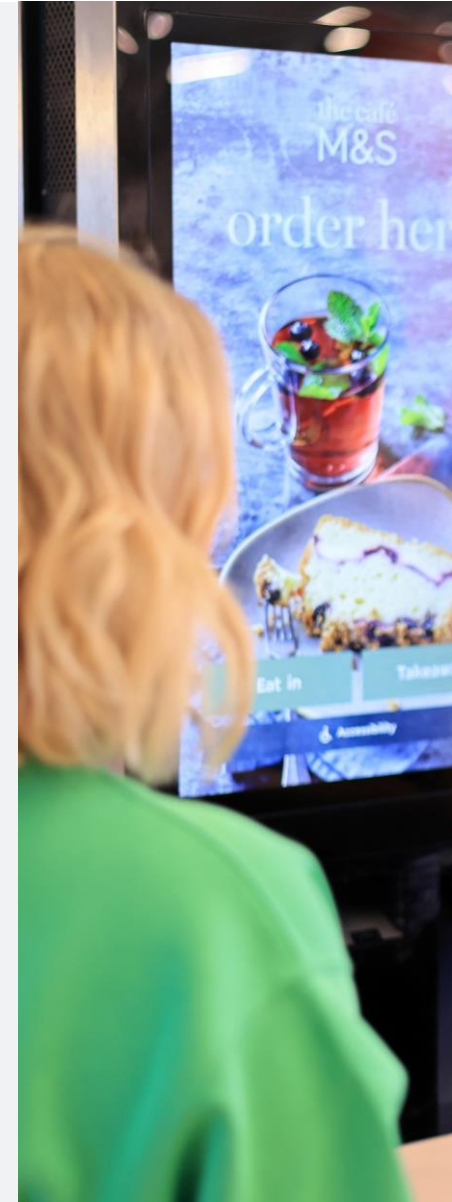
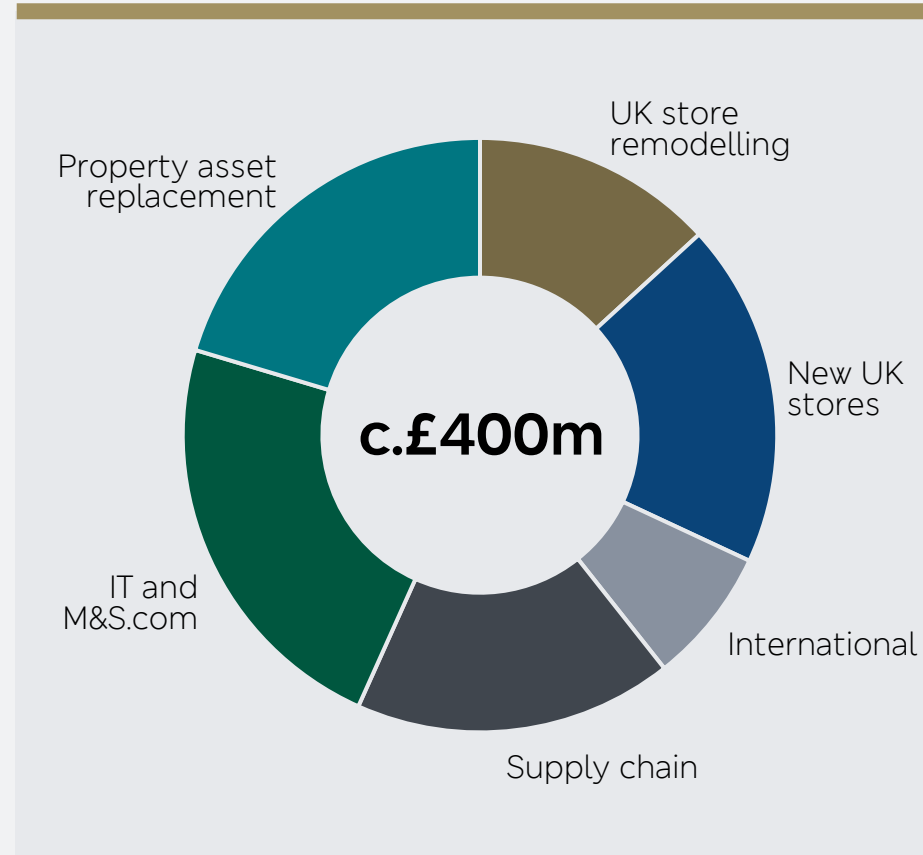
# PRIORITISING INVESTMENT IN THE TRANSFORMATION



### CAPEX PRE DISPOSALS IN 2021/22



### CAPEX AMBITION FOR 2022/23



# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S

## CAPITAL ALLOCATION PRIORITIES UNCHANGED

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1

Prioritising investment in the transformation

2

Ambition to sustain balance sheet metrics consistent with investment grade

3

The Board will consider the scale and timing of a resumption of dividend payments at the year end.



# APPENDICES



# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S

## ADDITIONAL COSTS ASSOCIATED WITH BREXIT



### GROUP BREXIT IMPACTS

£m	21/22
Admin costs	(29)
Tariffs	(13)
Estimated trade impact	(18)
<b>Total</b>	<b>(60)</b>

INTERNATIONAL	
Admin costs	£(16)m
Tariffs	£(13)m
Trade	£(15)m
<b>TOTAL</b>	<b>£(44)m</b>
UK FOOD	
Admin costs	£(13)m
Tariffs	-
Trade	£(3)m
<b>TOTAL</b>	<b>£(16)m</b>



### PRODUCT JOURNEY



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# QUARTERLY SALES PERFORMANCE VS. 20/21

% change to 20/21	Q1	Q2	Q3	Q4	FY
Food	11.8	9.7	10.0	11.8	10.8
Food LFL	8.9	7.9	8.8	9.3	8.7
Clothing & Home	148.8	29.6	37.7	44.3	51.6
Clothing & Home LFL	138.5	29.6	36.2	38.4	48.4
<b>Total UK Sales</b>	<b>35.3</b>	<b>15.7</b>	<b>18.6</b>	<b>20.2</b>	<b>21.7</b>
Total UK LFL	31.2	14.5	17.3	16.9	19.4
International	57.8	9.7	17.4	20.3	23.0
<b>Group Adjusted Revenue*</b>	<b>37.0</b>	<b>15.2</b>	<b>18.5</b>	<b>20.2</b>	<b>21.8</b>
<b>Memo</b>					
M&S.com	15.2	8.5	1.5	-28.8	-3.0
Clothing & Home.com	31.0	10.8	2.3	-26.1	1.2

\*At constant currency



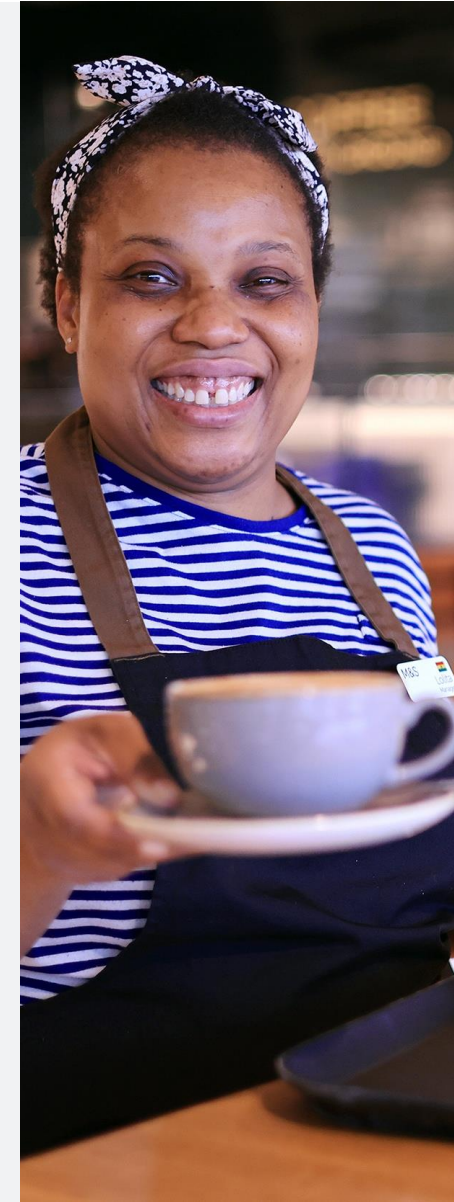
M&S COLLECTION  
Linen Blend Overshirt, £39.50

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# QUARTERLY SALES PERFORMANCE VS. 19/20

% change to 19/20	Q1	Q2	Q3	Q4	FY
Food	9.4	11.5	12.4	7.0	10.1
Clothing & Home	-4.2	2.0	3.2	17.3	3.8
<b>Total UK Sales</b>	<b>4.7</b>	<b>8.0</b>	<b>8.9</b>	<b>10.0</b>	<b>8.0</b>
International	-6.1	-0.3	5.1	7.9	1.7
<b>Group Adjusted Revenue*</b>	<b>3.7</b>	<b>7.3</b>	<b>8.6</b>	<b>9.8</b>	<b>7.4</b>
<b>Memo</b>					
M&S.com	52.6	57.3	42.5	47.7	48.9
Clothing & Home.com	59.2	62.3	50.8	52.1	55.6
Food ex hospitality and franchise	17.0	16.8	16.4	8.6	14.7

\*At constant currency



# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S

## DEPRECIATION AND AMORTISATION

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	FY 21/22				
£m	Food	C&H	Intl	Other	Group
Group Adjusted operating profit	278	331	74	27	709
Depreciation					
Tangible asset	106	130	12	-	249
Right of use asset	85	58	23	-	166
Amortisation	38	49	7	-	95
Write off & disposal costs	-	8	(6)	-	1
<b>Depreciation &amp; Amortisation</b>	<b>229</b>	<b>245</b>	<b>36</b>	<b>-</b>	<b>511</b>
<b>Underlying EBITDA</b>	<b>507</b>	<b>576</b>	<b>110</b>	<b>27</b>	<b>1,220</b>
Interest payable on leases	49	53	13	-	115

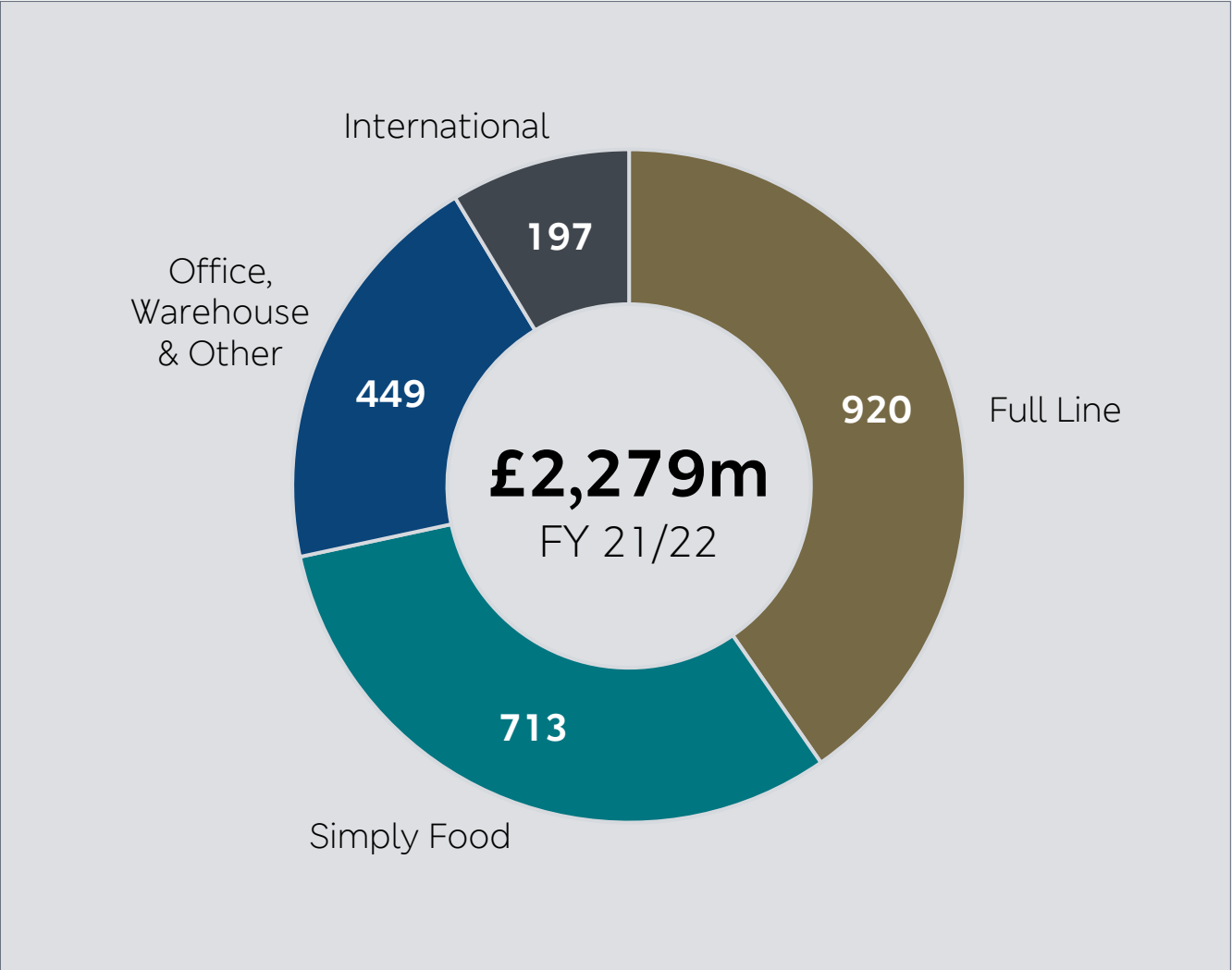
Total Group depreciation & amortisation includes amounts within adjusting items of £69m





# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S

## FINANCE LEASE BREAKDOWN



# STRONG PERFORMANCE DELIVERED BY A MORE RESILIENT M&S STORES AND SELLING SPACE

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		NUMBER OF STORES					
UK	Selling space (m sq ft)	Mar 22	Mar 21	Openings	Closures	Reclassified	Change
Shopping Centre	1.5	16	16	0	0	0	0
Retail Park	4.3	75	73	2	(1)	1	2
High Street – large	5.1	76	81	0	(5)	0	(5)
High Street	2.3	80	84	1	(3)	(2)	(4)
<b>Full line total</b>	<b>13.2</b>	<b>247</b>	<b>254</b>	<b>3</b>	<b>(9)</b>	<b>(1)</b>	<b>(7)</b>
Outlets	0.4	32	32	1	(1)	0	0
Food Stores - Owned	2.5	316	314	4	(3)	1	2
Food Stores - Franchise	0.6	440	437	8	(5)	0	3
<b>UK stores</b>	<b>16.7</b>	<b>1,035</b>	<b>1,037</b>	<b>16</b>	<b>(18)</b>	<b>0</b>	<b>(2)</b>
C&H	10.1						
Food	6.6						
International		Mar 22	Mar 21	Openings	Closures		Change
Owned/JV	1.8	152	154	7	(9)		(2)
Franchise	3.2	300	318	11	(29)		(18)
<b>International stores</b>	<b>5.0</b>	<b>452</b>	<b>472</b>	<b>18</b>	<b>(38)</b>		<b>(20)</b>