



2014/15 FULL YEAR RESULTS

Marc Bolland
Chief Executive

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OVERVIEW

- Focus on execution
- Strengthening capabilities
- Enhancing Shareholder returns

AGENDA

- 2014/15 Summary
- 2014/15 Financial Results
- Looking ahead

2014/15 SUMMARY

- Profit before tax +6.1% to £661.2m
- Strong progress against key priorities for the year:
 - Food sales growth ✓
 - GM gross margin improvement ✓
 - Improved GM Performance –
 - Strong cash generation ✓
- Dividend +5.9% to 18p

FOOD

- Sales +3.4%; LFL +0.6%
- Gross margin +30bps
- Outstanding year in a difficult market
- Outperformed the market
 - Specialist positioning
 - Quality and innovation

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GENERAL MERCHANDISE

- Sales -2.5%; LFL -3.1%
- Positive growth in Q4
- Gross margin +190bps
- Improved product quality and style
- In-store presentation

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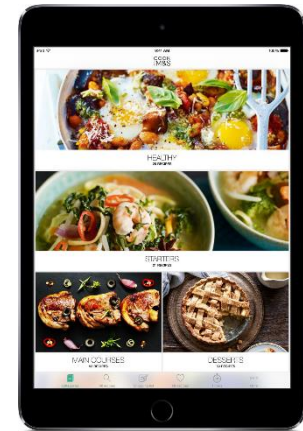
INTERNATIONAL

- Total sales -2.1%
- Challenging macroeconomic environment
 - Russia, Ukraine, Turkey
 - Political instability
 - Currency impacts
- Good performance in priority markets
 - India
 - Greater China



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- Sales -2.0%
- Q4 +13.8%
- Right infrastructure and capabilities now in place – strong foundation for growth
- Improved customer measures
 - Traffic +15%
 - Conversion +60bps
 - Customer satisfaction +18%



3 WAYS TO WEAR

The great thing about this skirt – bar the fact that it's officially become an icon in its own right – is that it can be worn a multitude of ways, 24/7. Take inspiration from our edit of timeless wear-anywhere looks



STRONG CASH GENERATION

- Tight control of costs
- Capex in line with guidance
- Focus on cash generation
- Increased ordinary dividend



FINANCIAL UPDATE

Helen Weir
Chief Finance Officer

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OVERVIEW

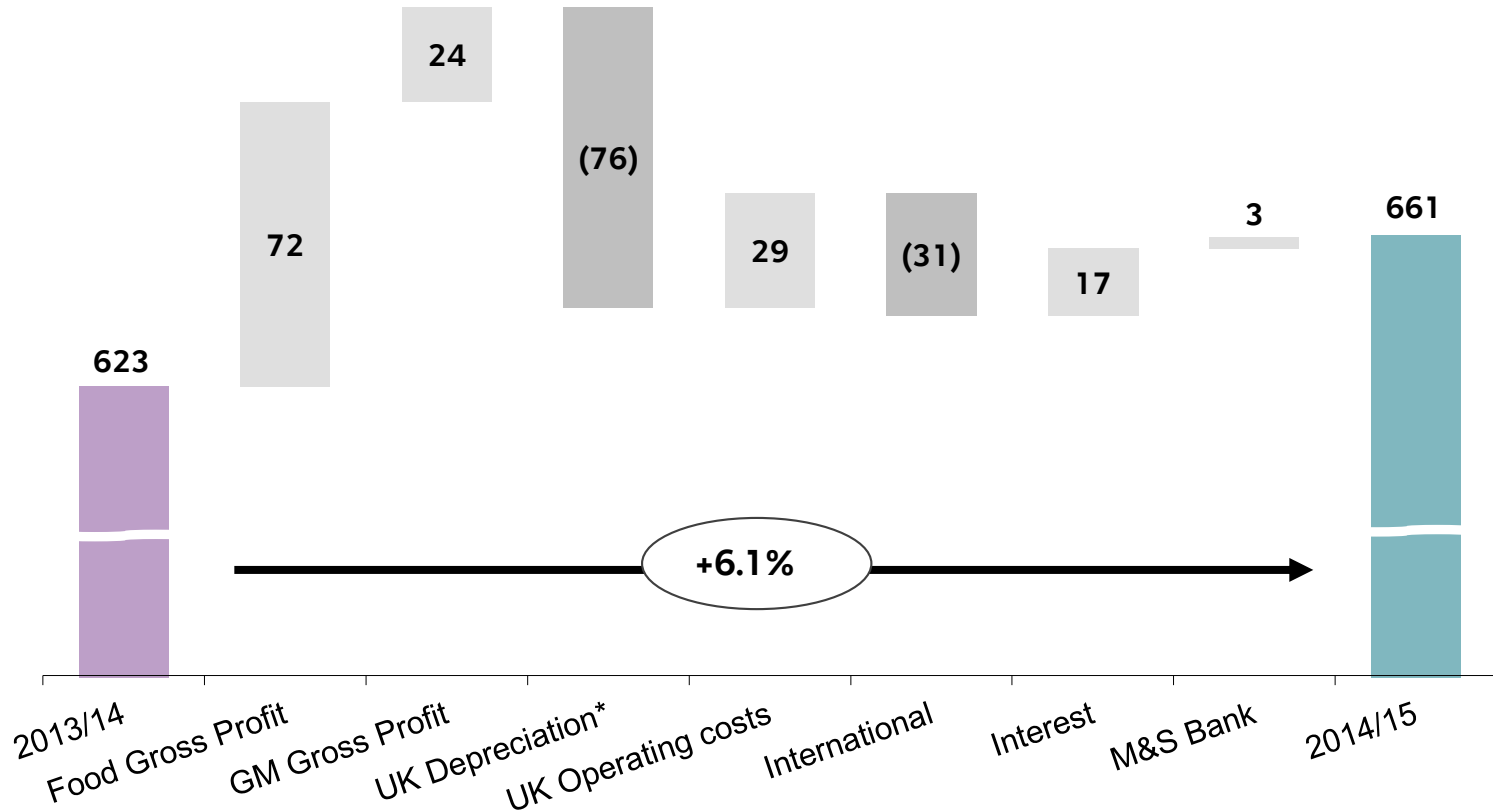
- 2014/15 results
- Guidance and outlook

GROUP FINANCIAL HIGHLIGHTS

	TY	vs. LY
Revenue*	£10.3bn	+0.4%
Underlying PBT	£661m	+6.1%
Statutory PBT	£600m	+3.4%
Underlying EPS	33.1p	+2.8%
Dividend	18p	+5.9%
Net Debt	£2.22bn	£240m ↓

PROFIT BEFORE TAX

£m



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*Includes asset impairments.

FOOD GROSS MARGIN

13/14 Gross Margin

32.5%

Operational efficiency

+50 bps

Selling margin

-20 bps

14/15 Gross Margin

32.8%

GM GROSS MARGIN

13/14 Gross Margin

50.7%

Buying margin

+180 bps

Lower discounting

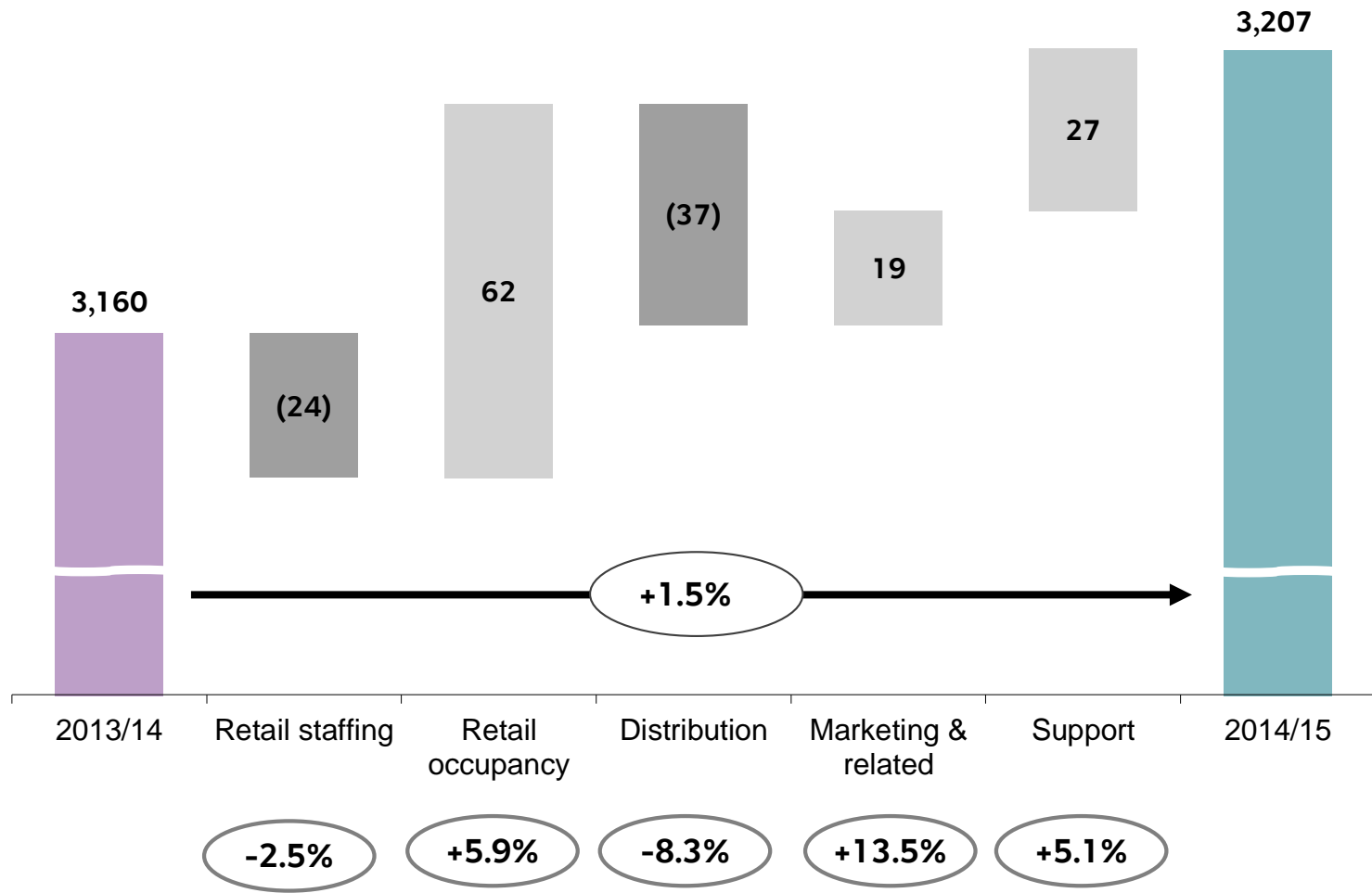
+10 bps

14/15 Gross Margin

52.6%

UK OPERATING COSTS

£m

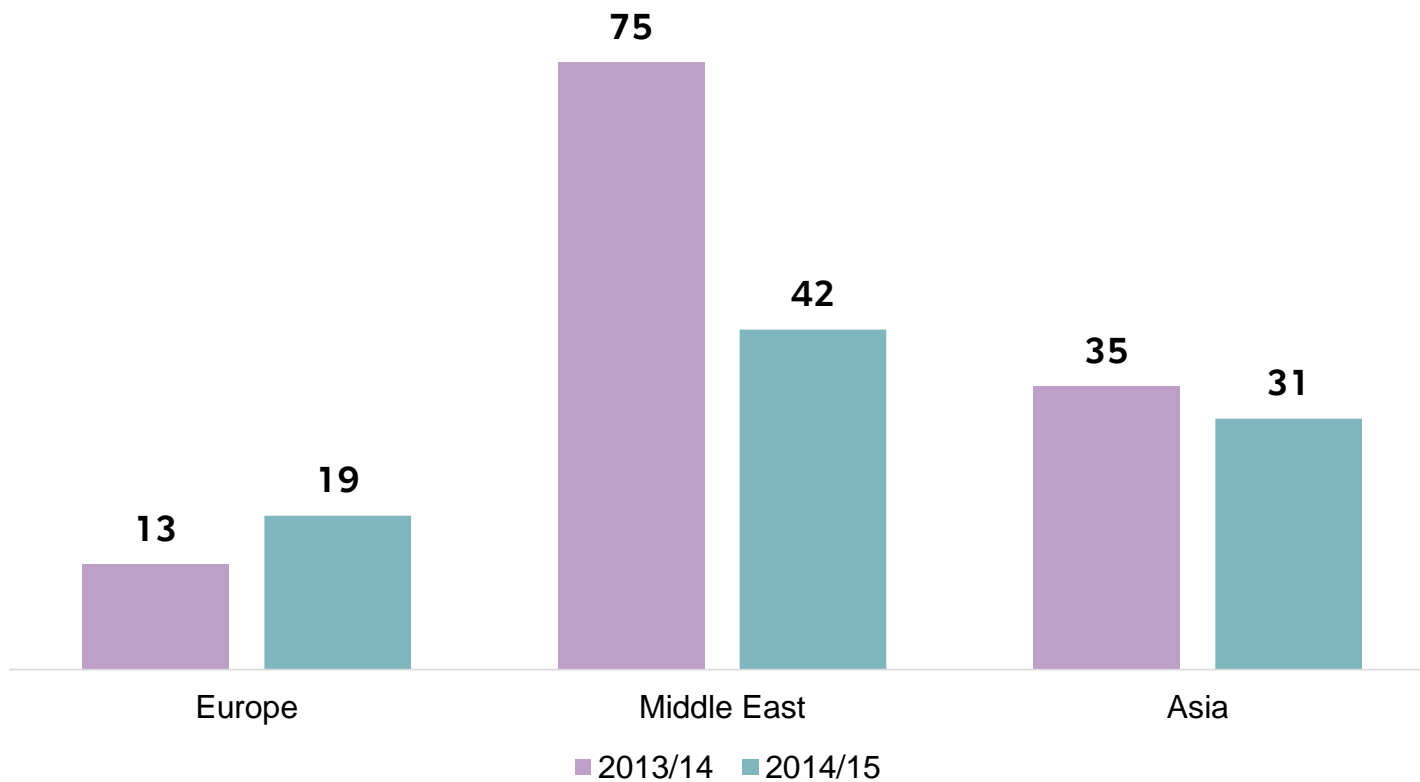


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INTERNATIONAL PROFIT

£m



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CAPITAL INVESTMENT

-25.8%

£710m

£527m

2013/14

2014/15

Supply chain
& technology
49%

UK store
environment
16%

New UK
stores
11%

Maintenance
17%

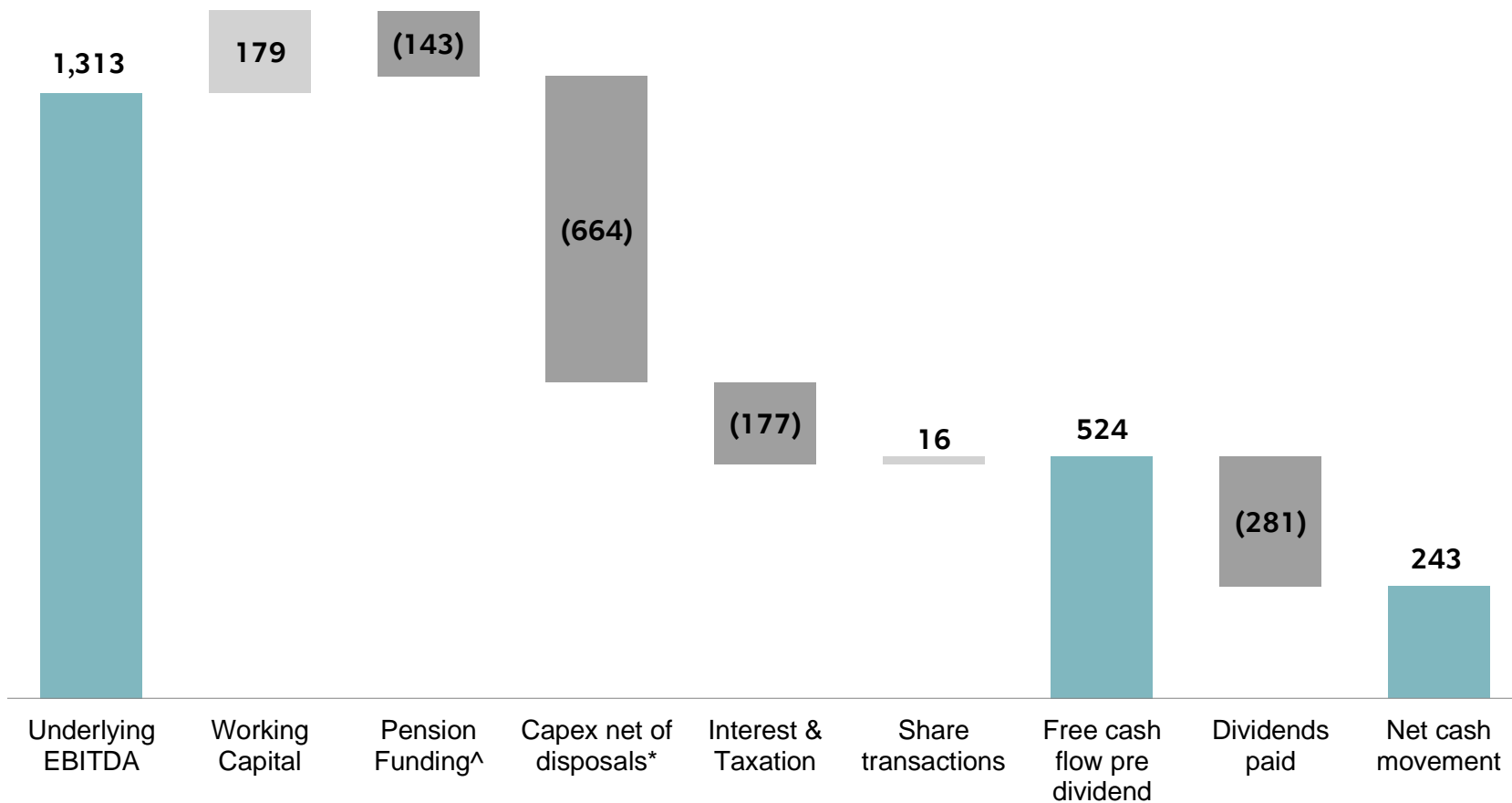
International
7%

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CASH FLOW- MOVEMENT IN NET CASH

£m



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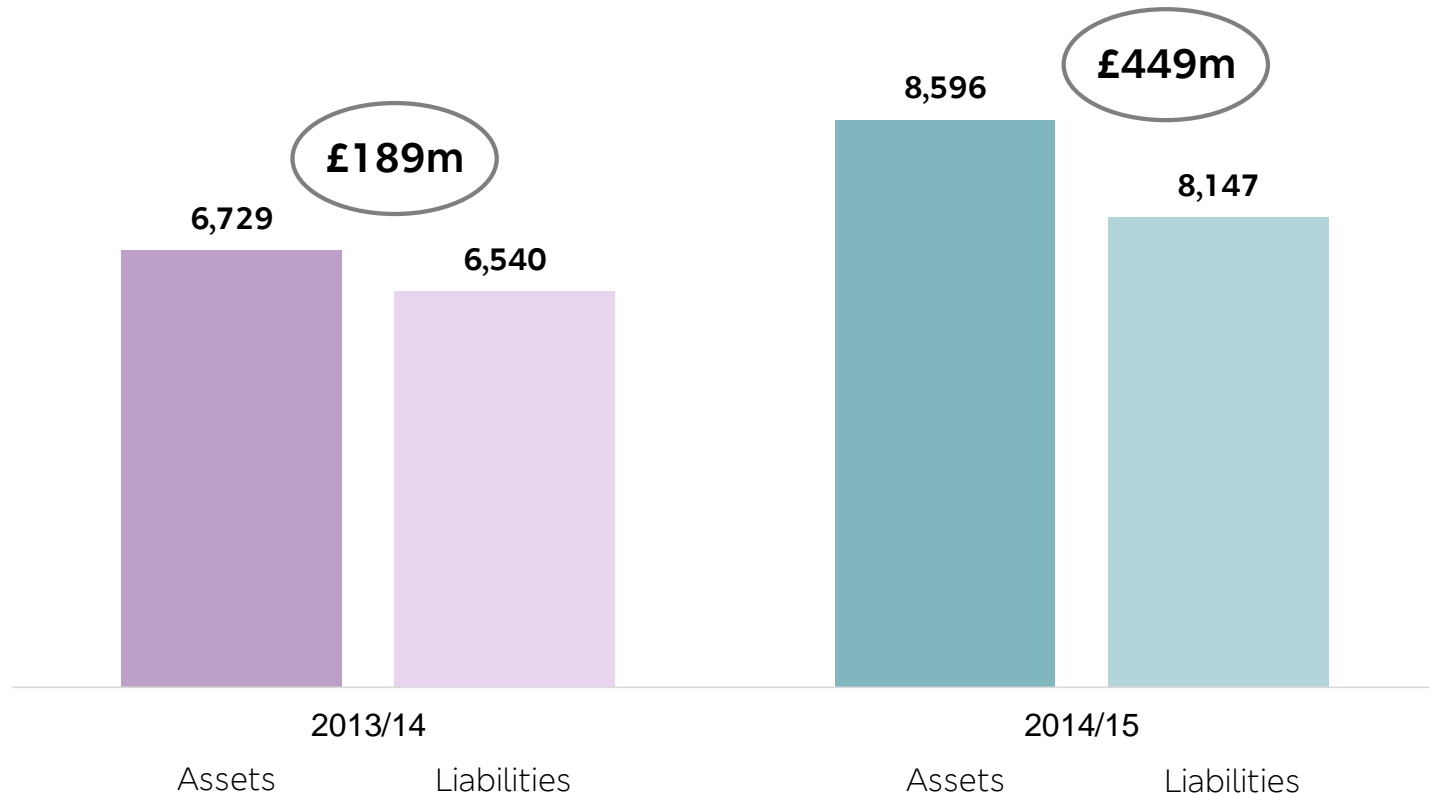
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[^] Total pension payments during the year amounted to £215m including the payment to the SLP.

^{*} Includes cash payments in relation to capital accruals.

PENSIONS

- IAS 19 pension surplus £449m
- Actuarial valuation as at March 15, results expected end 2015



CAPITAL MANAGEMENT

Operating metrics for 14/15:

- Focus on free cashflow
- Reduction in capital expenditure to c.£500-550m
- Progressive ordinary dividend c.2x cover
- Net debt / EBITDA ratio between 2.0 and 1.5x

We delivered:

£524m



£527m



18.0p



1.7x



GUIDANCE AND OUTLOOK 2015/16

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GROSS MARGIN GUIDANCE

- GM +150-200bps
 - Buying margin through sourcing initiatives
 - Focus on full price sales
- Food 0-10bps
 - Operational efficiencies
 - Ongoing investment to remain competitive

UK OPERATING COST GUIDANCE

	Var %
Inflation	c.1.5%
Space	c.1.5%
Depreciation	c.0.5%
Volume	c.1.0%
Other, including cost savings	(c.0.5%)
Total	c.4.0%

OTHER GUIDANCE

- Capex maintained at c.£500-550m
- UK space growth:
 - Food c.4.5%
 - GM c.0%
- Underlying tax rate of c.20%

CAPITAL MANAGEMENT PRIORITIES

- Committed to a strong balance sheet
 - Including investment grade rating
 - Net debt / EBITDA range between 2.0 and 1.5x
- Investing in the business to grow
 - Capital expenditure of £500-550m
 - Strong investment discipline
- Committed to a progressive dividend policy
 - c.2x cover
- Surplus cash generated will be returned to shareholders
 - £150m in 2015/16 via buyback
 - Ongoing programme of returns

SUMMARY

- Year of progress
- Benefits of the actions taken are starting to come through
- Focus on sustainable, consistent profitability
- Underpinned by strong capital management discipline



LOOKING AHEAD

Marc Bolland
Chief Executive

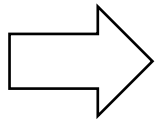
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2015/16 KEY PRIORITIES

Our priorities:

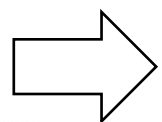
- Food sales growth
- GM gross margin improvement
- Improved GM performance
- Strong cash generation



Priorities consistent with last year

FOOD SALES GROWTH

- Differentiation driving market outperformance
- Continued focus on execution
 - Newness and innovation – 1,700 lines
 - Range and availability
 - Quality and value
- Well positioned for market trends
- Strong new UK Food store pipeline
 - Guidance raised, 200 to 250 new stores



Strong sales growth, modest gross margin opportunity

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GM GROSS MARGIN IMPROVEMENT

- 2015/16 gross margin guidance +150-200 bps
- Changing how we buy merchandise
- Direct design
 - Design capabilities (130 designers plus 30 freelancers)
 - Direct sourcing

13/14	14/15	15/16	16/17
20%	35%	50%	60%

- Sourcing Offices
 - Identify new suppliers
 - Benchmarking
 - Quality assurance/factory audit
 - Compete for the business
 - Critical path management



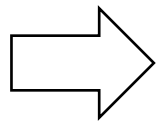
IMPROVED GM PERFORMANCE

- Further improve quality and style
- Trading capabilities
 - Newness every 2/3 weeks
 - Open to buy 15-20%
 - Faster response
- Availability
- M&S.com
- No GM space growth



STRONG CASH GENERATION

- Continue to tightly control costs
- Maintain lower level of capex
- Improve working capital



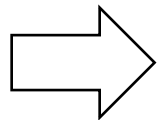
Deliver improving shareholder returns

LOOKING AHEAD

- Accelerate Food growth
 - 250 new UK Food stores
 - International opportunity
- Deliver GM end-to-end model
 - Single tier network
 - GM4 systems
- Drive M&S.com experience
 - Individually engaging
 - Increasingly connected

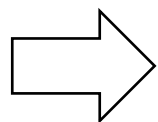
ORGANISATION & VALUES

- Organisation
 - Flatter structure
 - Faster decision making
- Values
 - INSPIRATION - First to market products
 - INNOVATION - Product innovation
 - INTEGRITY - Plan A
 - IN TOUCH – Customer focus



SUSTAINABLE ANNUAL PROGRESS

	2015/16	2016/17	2017/18
Capex	£500-550m	£500-550m	£500-550m
GM gross margin improvement	Buying Margin	Buying Margin	Single tier network
Excess cash generation	✓	✓	✓
	Sustainable, enhanced shareholder returns		



Leading infrastructure, capabilities and talent pool

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SUMMARY

- Clear strategy and priorities
- Focus on execution

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APPENDICES

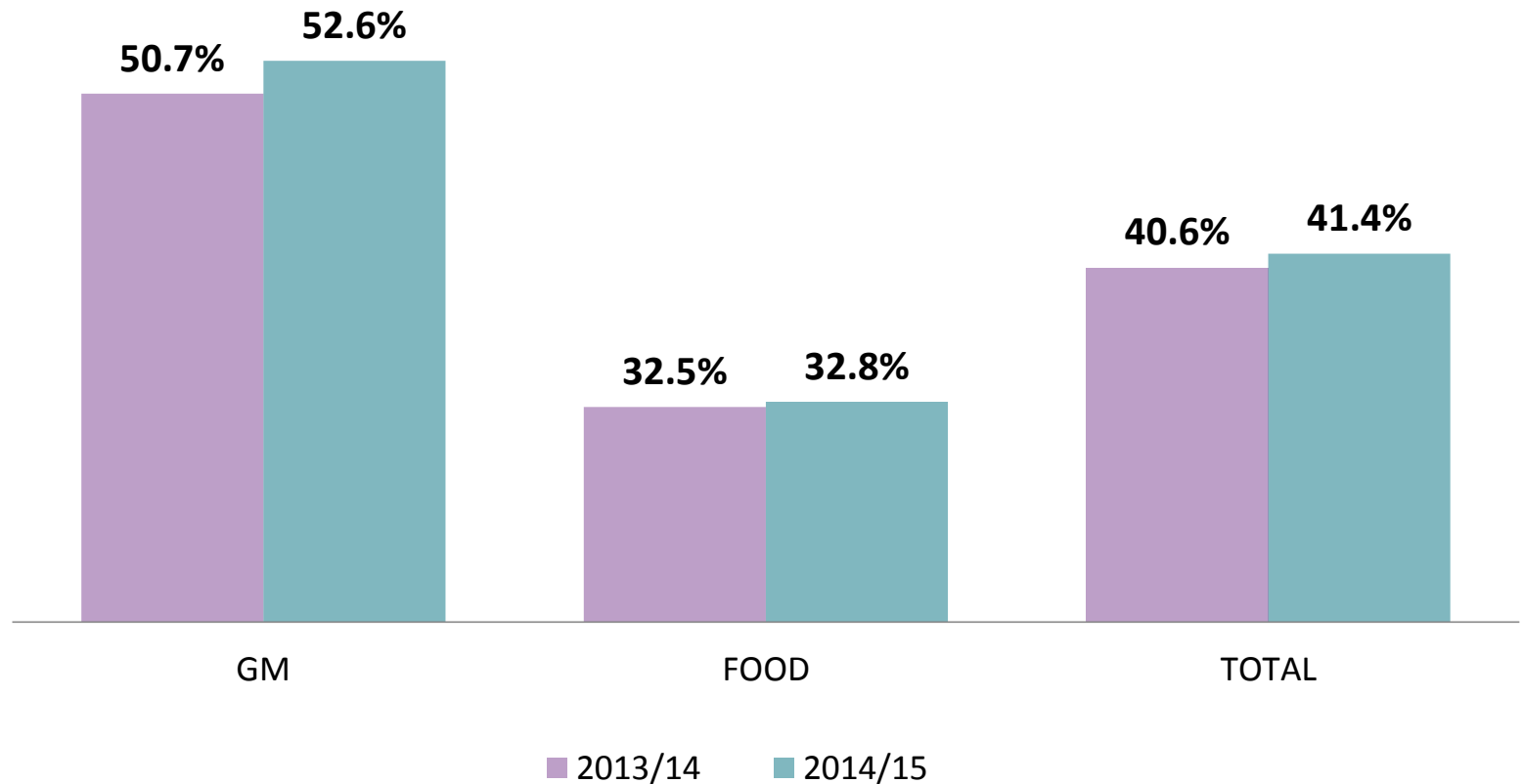
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UK REVENUE

	TY £m	LY* £m	Var %
Clothing	3,618	3,695	-2.1
Home	370	398	-7.0
General Merchandise	3,988	4,093	-2.5
Food	5,235	5,063	3.4
Total UK	9,223	9,156	0.7

UK GROSS MARGIN



INTERNATIONAL

	TY £m	LY £m	vs. LY %	Constant Currency vs. LY %
Revenue	1,088	1,154	-5.7	-2.1
Owned	747	750	-0.4	5.4
Franchise	341	404	-15.5	-15.3

Operating Profit	92	123	-24.8	-26.6
Owned	19	9	124.0	70.0
Franchise	73	114	-36.0	-36.2

BALANCE SHEET

- Credit metrics remain strong
- Net debt / EBITDA 1.7x (LY 2.0x)
- Fixed charge cover 3.6x (LY 3.4x)
- Average interest rate 5.0% (LY 5.4%)

STORES AND SPACE

	Mar 2015	Mar 2014	Openings	Closures	Change
UK					
Premier	12	12			
Major	61	59	2		2
High Street	229	232	2	-5	-3
Simply Food Owned	198	185	15	-2	13
Simply Food Franchised	306	262	47	-3	44
Outlets	46	48	1	-3	-2
UK Stores	852	798	67	-13	54
Selling Space (m sq ft)	16.7	16.6			
International					
Europe	163	158	13	-8	5
Middle East	154	153	9	-8	1
Asia	163	144	29	-10	19
International Stores	480	455	51	-26	25
Selling Space (m sq ft)	6.1	5.8			