



2015/16 HALF YEAR RESULTS

Marc Bolland
Chief Executive

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OVERVIEW

- Group sales +1.4% to £5bn
- Profit before tax +6.1% to £284m
- Good progress against key priorities for the year:
 - Food sales growth ✓
 - GM gross margin improvement ✓
 - Improved GM Performance -
 - Strong cash generation ✓
- Dividend +6.3% to 6.8p

⇒ Focus on execution

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FOOD

- H1 sales +3.3%; LFL +0.2%
- Gross margin -25bps
- Outperformed the market by c.3% pts
- Differentiation driving market outperformance
 - Specialist positioning
 - Newness and innovation
 - Convenience



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GENERAL MERCHANDISE GROSS MARGIN

- Gross margin +285bps
- Higher sourcing gains
 - More and earlier
- Changing how we buy product - improved capability in:
 - Direct design and sourcing

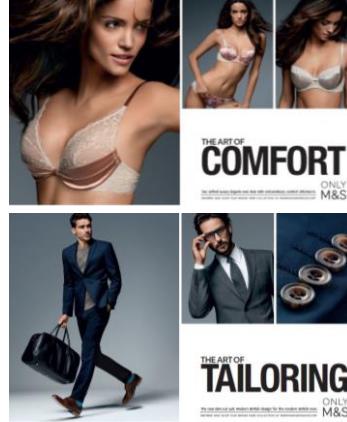
	13/14	14/15	15/16	16/17
Target	20%	35%	50%	60%
Delivered		35%	57%	

- Sourcing offices

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GENERAL MERCHANDISE PERFORMANCE

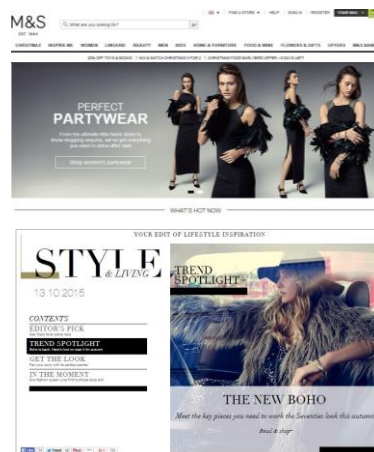
- H1 sales -0.4%; LFL -1.2%
- Challenging market
- Focus on full price
- New 'Art of' ad campaign
- Improving product perception:
 - Style +2%
 - Quality +7%



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- H1 sales +34.2%
- Step change in infrastructure and capability
- Improved customer measures
 - Traffic +20%
 - Conversion +50bps
 - Customer satisfaction +7%



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INTERNATIONAL

- H1 sales -0.9%
- Currency impact on profit
- Challenging macroeconomic environment
- Good performance in India
- Food roll out



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Numbers shown are on a constant currency basis

STRONG CASH GENERATION

- Tight control of costs and capex
- Focus on cash generation up £189m
- Increased ordinary dividend and ongoing buyback programme

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FINANCIAL UPDATE

Helen Weir
Chief Finance Officer

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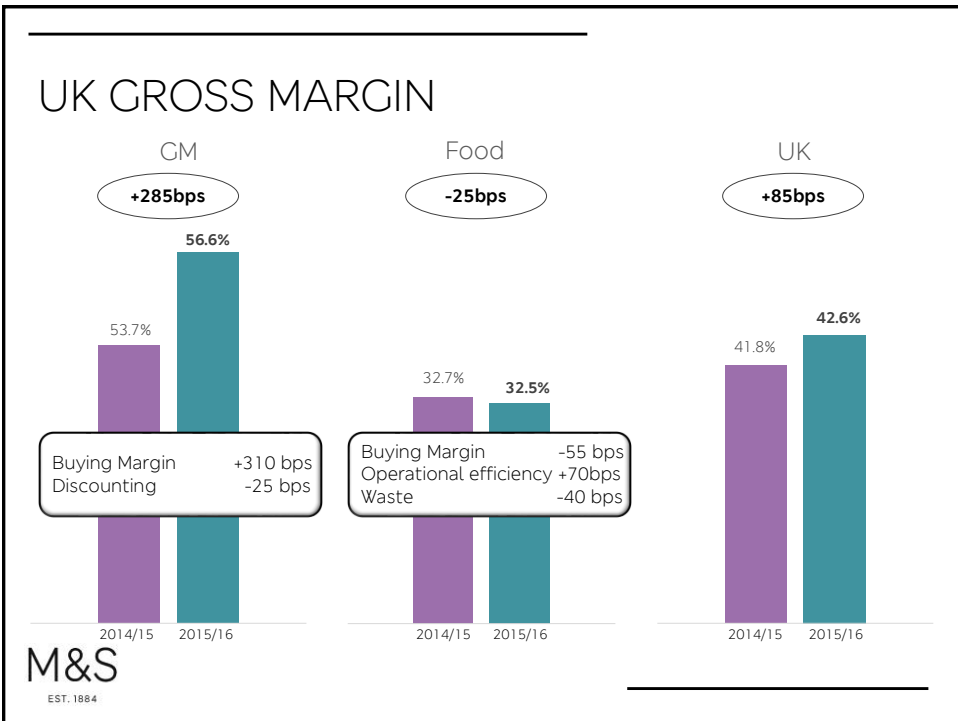
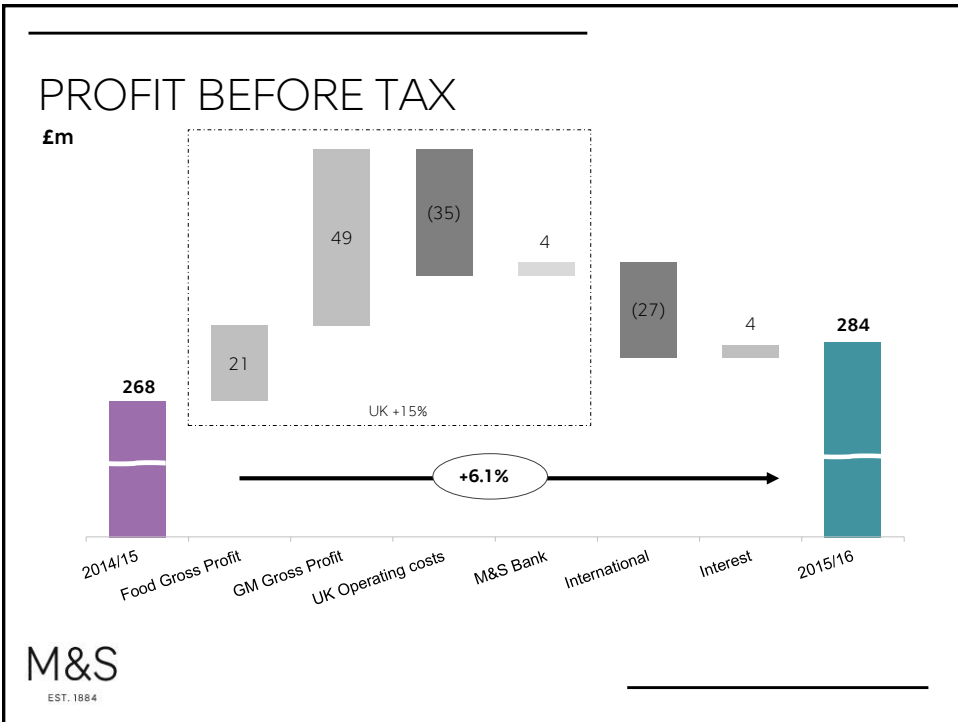
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GROUP FINANCIAL HIGHLIGHTS

	TY	vs. LY
Revenue*	£5.0bn	+1.0%
Underlying PBT	£284m	+6.1%
Statutory PBT	£216m	-22.7%
Underlying Basic EPS	14.1p	+4.9%
Dividend	6.8p	+6.3%
Net Debt	£2.2bn	£0.4bn ↓

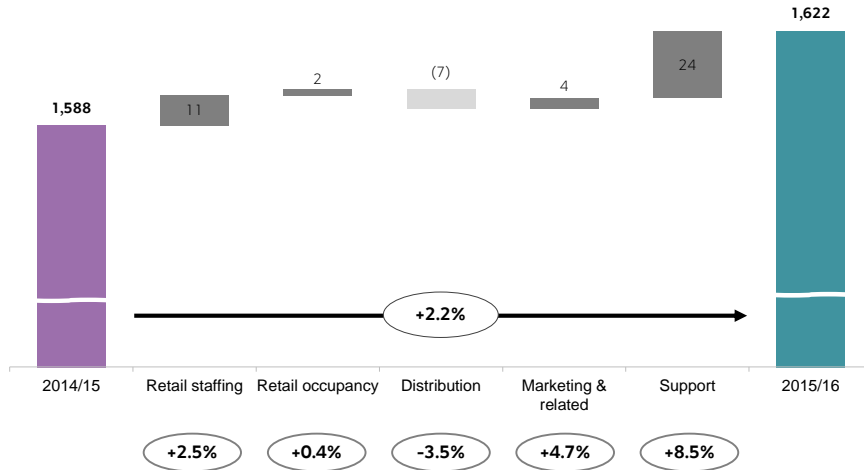
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*Results are stated on a constant currency basis



UK OPERATING COSTS

£m



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SUPPLY CHAIN & IT

- Castle Donington
 - Improved processes
 - Strengthened management team
 - Consistently strong operational KPIs
- Bradford - on track to open during 2016
- GM4
 - Allocation and Replenishment fully implemented
 - Merchandise Planning rollout this Autumn

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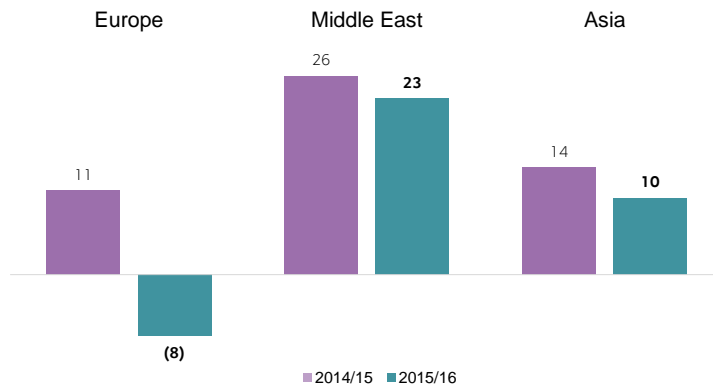
NATIONAL LIVING WAGE

- Being a great employer is important to us
- Our customer assistant rate is already £7.41 per hour
- Minimal short term impact
- Further update to be given at our full year results

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INTERNATIONAL PROFIT

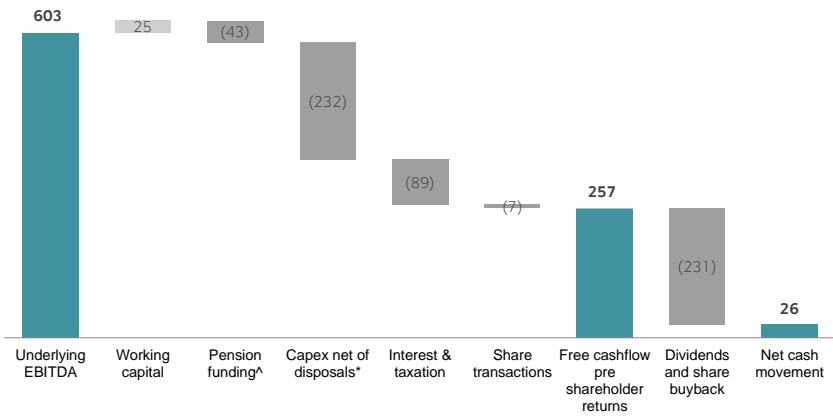
£m



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CASHFLOW - MOVEMENT IN NET CASH

£m



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^{*} Total pension payments during the half year amounted to £115m including the payment to the SLP.
[^] Includes cash payments in relation to capital accruals.

CAPITAL MANAGEMENT

Operating metrics for 15/16:

- Committed to a strong balance sheet
- Committed to a progressive dividend policy
- Investing in the business to grow
- Surplus cash returned to shareholders

We are on track:



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FULL YEAR GUIDANCE UPDATE

- Gross Margin
 - General Merchandise gross margin raised to +200 to 250 bps
 - Food gross margin maintained at 0 to 10 bps
- Operating costs maintained at c.4%
- Space growth
 - UK unchanged
 - International now c.2%
- Underlying tax rate is now expected to be c.17.5%
- Capex maintained at c.£500-550m

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SUMMARY

- Continued progress
- Focus on sustainable, consistent profitability
- Underpinned by strong capital management discipline

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FOOD

- Clear strategy
- Continued focus on execution
 - Newness and innovation
 - Quality and value
- Clear store segmentation
 - Foodhall
 - Simply Food
- Improving customer choice
- New store pipeline on track



⇒ Strong sales growth, modest gross margin opportunity

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GENERAL MERCHANDISE

Clear strategy

- Focus on quality and style
- Continue to develop design capability
 - Direct design target raised from 60% to 70%
 - Design collaborations
- Availability
- Customer engagement through Sparks
- Improving profitability
 - Margin guidance raised to +200 to 250bps



Significant gross margin opportunity, modest sales growth

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SPARKS

- Sparks - new style of customer relationship:
 - Engagement
 - Interactive
 - Choice
 - Plan A
- Infrastructure in place to deliver
 - SAP
 - Web platform
 - Insight team and data
 - Eastbourne Terrace



Don't think **loyalty**...

...think **new relationship**

1.8m members
registered to date

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SUSTAINABLE ANNUAL PROGRESS

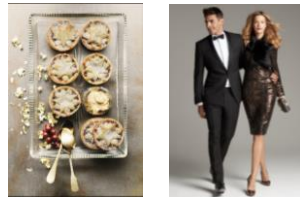
	2015/16	2016/17	2017/18
Capex	c.£500-550m	c.£500-550m	c.£500-550m
GM gross margin improvement	Buying Margin	Buying Margin	Single tier network
Excess cash generation	✓	✓	✓
Sustainable, enhanced shareholder returns			

⇒ Leading infrastructure, capabilities and talent pool

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CHRISTMAS 2015

- Food
 - Over 350 new lines
 - Strong start to Food to Order
- General merchandise
 - Great gift ideas
 - Occasionwear



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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	1,711	1,726	-0.9
Home	162	155	+4.5
General Merchandise	1,873	1,881	-0.4
Food	2,572	2,490	+3.3
Total UK	4,445	4,370	+1.7

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INTERNATIONAL BY REGION

	TY £m	LY £m	vs. LY %	Constant Currency vs. LY %
Revenue	507	534	-5.1	-0.9
Europe	283	304	-6.9	2.8
Middle East	83	93	-11.2	-10.6
Asia	141	137	3.3	-1.8

	TY £m	LY £m	vs. LY £m	Constant Currency vs. LY £m
Operating Profit	25	51	-26	-28
Europe	-8	11	-19	-20
Middle East	23	26	-3	-3
Asia	10	14	-4	-5

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INTERNATIONAL BY OWNERSHIP MODEL

	TY £m	LY £m	vs. LY %	Constant Currency vs. LY %
Revenue	507	534	-5.1	-0.9
Owned	343	353	-2.9	+3.4
Franchise	164	181	-9.3	-8.8

	TY £m	LY £m	vs. LY £m	Constant Currency vs. LY £m
Operating Profit	25	51	-26	-28
Owned	-11	4	-15	-17
Franchise	36	47	-11	-11

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STORES AND SPACE

	Sep 2015	Mar 2015	Openings	Closures	Change
UK					
Premier	12	12			
Major	61	61			
High Street	227	229	2	-4	-2
Simply Food Owned	203	198	6	-1	5
Simply Food Franchised	330	306	26	-2	24
Outlets	41	46		-5	-5
UK Stores	874	852	34	-12	22
Selling Space (m sq ft)*	16.8	16.7			
International					
Europe	166	163	7	-4	3
Middle East	161	154	8	-1	7
Asia	162	163	7	-8	-1
International Stores	489	480	22	-13	9
Selling Space (m sq ft)*	6.1	6.1			

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*On a weighted average basis