

# Matalan

## Q2 Investor Presentation



- Goldman Sachs Conference  
19<sup>th</sup> October 2011

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# Agenda

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# I. Recent Results and Strategy

Darren Blackhurst  
CEO



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# Economic Climate & Recent Results

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## Economic Climate

- UK Retail environment challenging
- Low consumer confidence
- Unemployment increasing
- Decrease in disposable incomes
- High input prices
- Tough competitive environment

## Recent Results

- Q2 revenue - £258.5m
- Q2 EBITDA - £13.6m
- LTM EBITDA - £117.7m
- Strong growth online
- New store at Crawley opened
- Closing cash £75.1m
- Closed half with clean terminal stock levels
- Improving trends towards the end of the quarter

# Tactical Actions

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## Trading

- Line and Price strategy
- “More Trend, Less Spend” communication plan
- Promotional Activity to drive footfall and clear summer stock
- Intake management
- Focus on availability to drive conversion and minimise markdown

## Financial

- Focus on Cash
- Managing Costs
- Managing Capex

# Matalan: Mission, Purpose & Core Values

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## Mission

- We are the leading retailer of clothing and home for value conscious customers

## Purpose

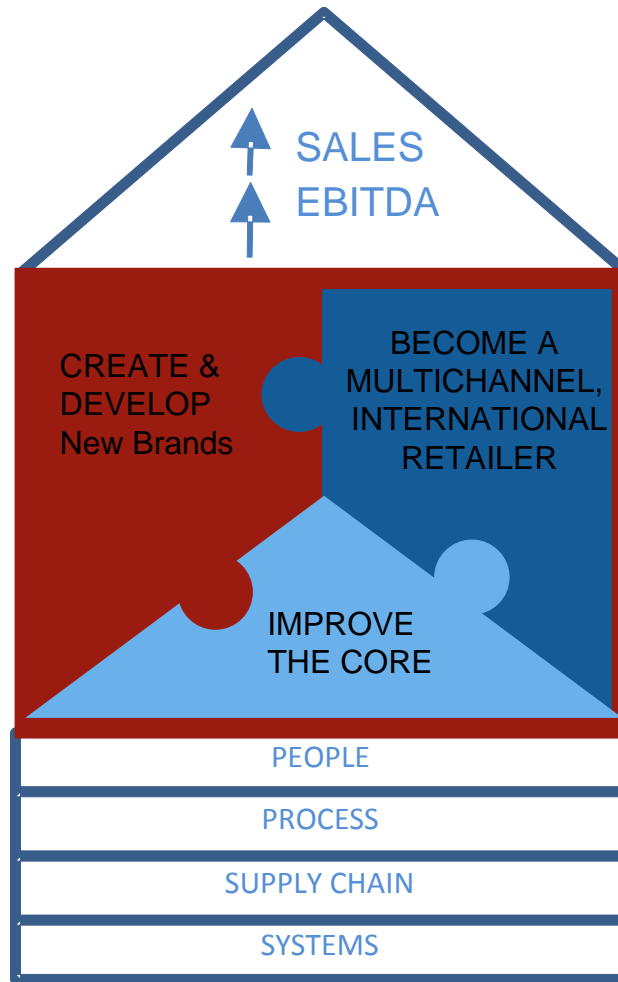
- To deliver inspirational product, choice, service and shopping experience at the lowest price, consistently and without compromise

## Core Values

- Put the customer first
- Keep it low cost, simple, ethical and sustainable
- One team
- Be the best you can be

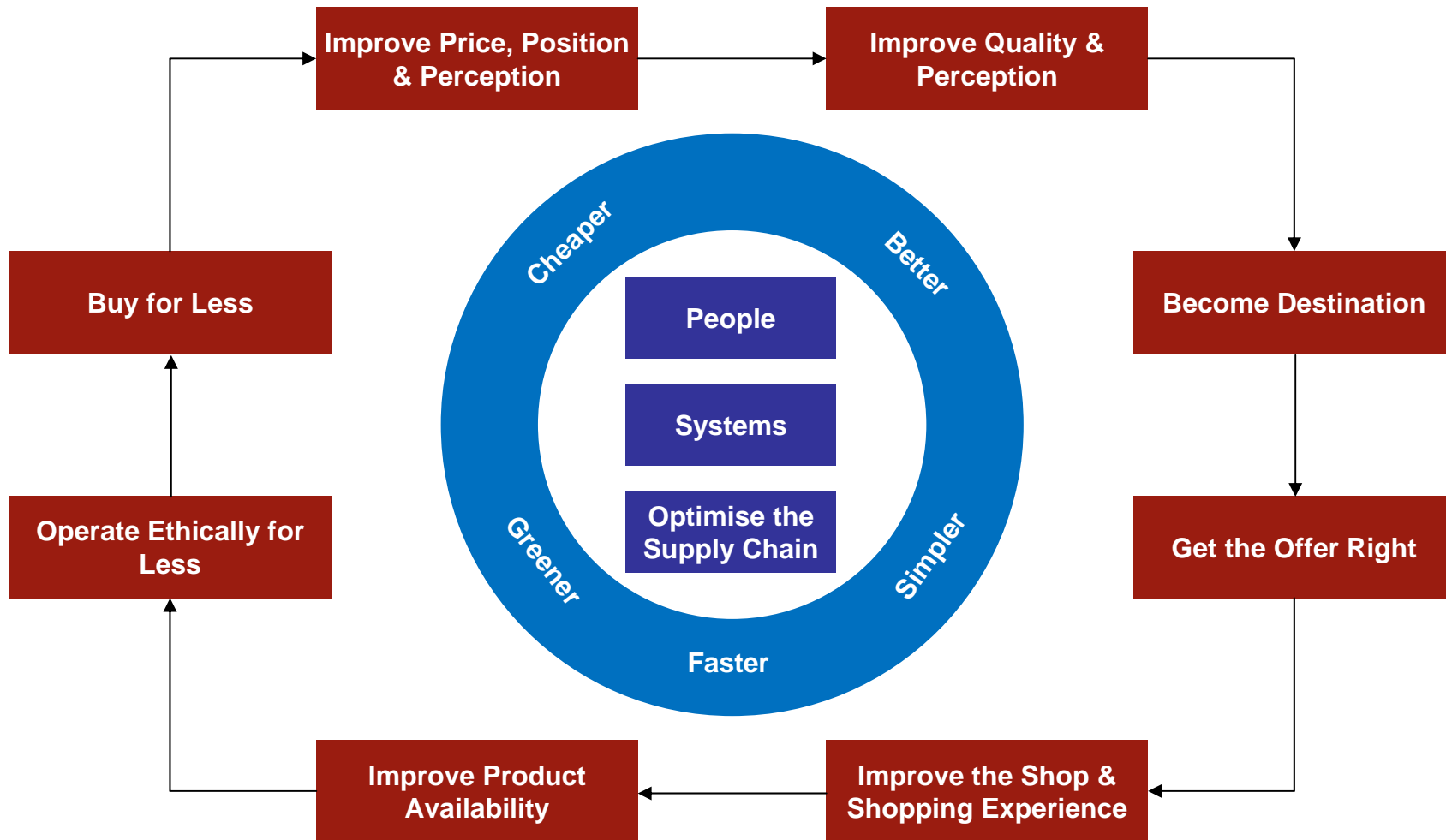
# Business Strategy

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# Improving the Core



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# II. Financial Update

Paul Gilbert  
CFO



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# Financial Update: Group Income Statement

## Summary Income Statement

	Q2 FY12 QTD £'m	Q2 FY11 QTD £'m	Q2 FY12 YTD £'m	Q2 FY11 YTD £'m	FY11 Full Year £'m	Q2 FY11 LTM £'m
Revenue	258.5	260.5	526.6	535.9	1,096.5	1,087.2
Cost of sales	(237.5)	(219.2)	(471.3)	(447.8)	(921.0)	(944.5)
<b>Gross profit</b>	<b>21.0</b>	<b>41.3</b>	<b>55.3</b>	<b>88.1</b>	<b>175.5</b>	<b>142.7</b>
<b>Gross Profit %</b>	<b>8.1%</b>	<b>15.9%</b>	<b>10.5%</b>	<b>16.4%</b>	<b>16.0%</b>	<b>13.1%</b>
Administrative expenses	(16.1)	(13.4)	(29.8)	(33.7)	(60.9)	(57.0)
<b>Operating profit</b>	<b>4.9</b>	<b>27.9</b>	<b>25.5</b>	<b>54.4</b>	<b>114.6</b>	<b>85.7</b>
<b>EBITDA</b>	<b>13.6</b>	<b>36.7</b>	<b>41.2</b>	<b>77.1</b>	<b>153.6</b>	<b>117.7</b>
	<b>5.3%</b>	<b>14.1%</b>	<b>7.8%</b>	<b>14.4%</b>	<b>14.0%</b>	<b>10.8%</b>

## Key Highlights

- Revenue
  - 2 new stores year to date
  - Growth in Ecommerce
  - Lower LFL sales; improving trend
- Gross Margin
  - Supply chain cost inflation
  - Higher markdown & promotional activity
- Administrative expenses
  - Costs tightly controlled
  - Investment in marketing & new stores

Prior year results have been restated to exclude Wolsey Limited

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# Financial Update: Sales by Channel

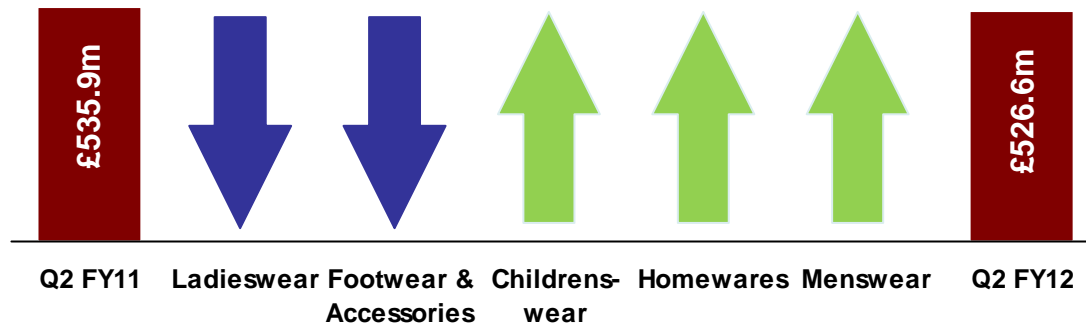
## Sales by Channel Bridge



## Key Highlights

- LFL sales
  - Improving trend but cost to margin
- New stores
  - Positive performance
  - Slowing rate of store openings
- Ecommerce
  - Continues to double
  - Opportunities for future growth

## Sales by Department Bridge

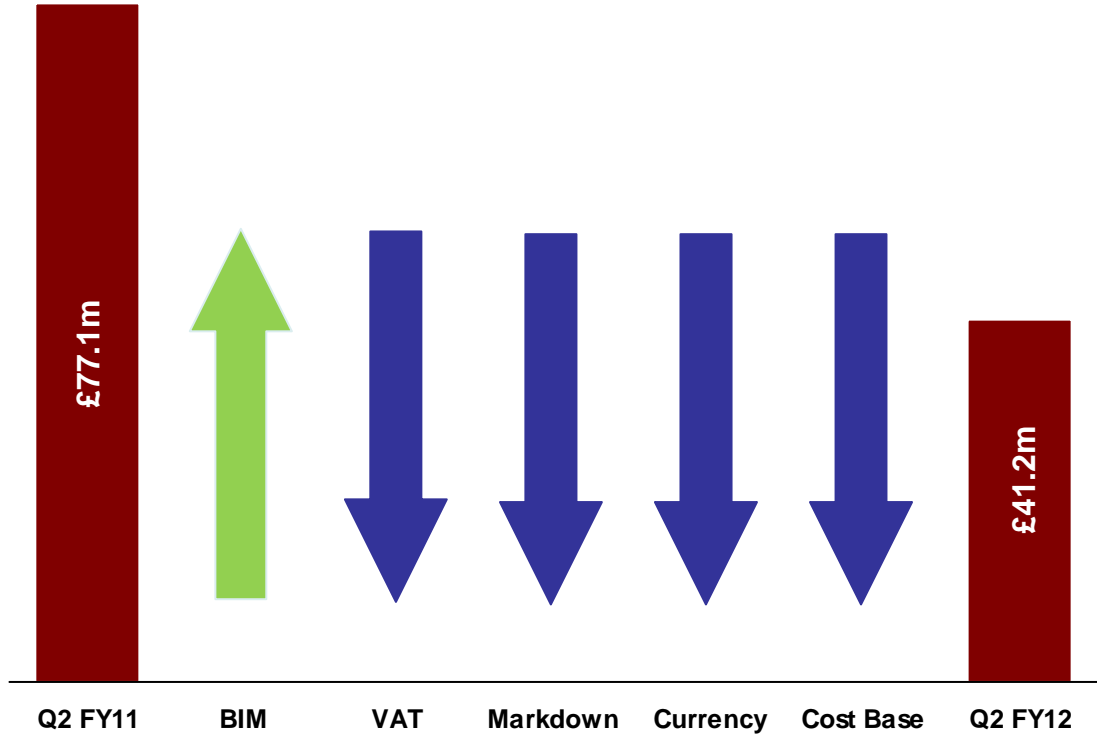


## Key Highlights

- Positive performance in Menswear & Childrenswear
- Strong recovery building in Homewares
- Ladieswear remains challenging

# Financial Update: EBITDA Bridge

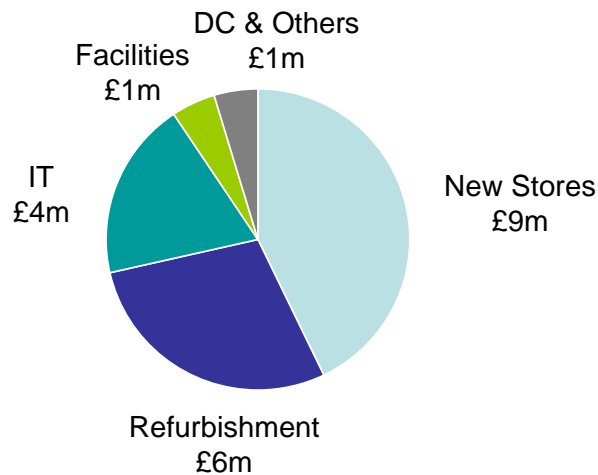
## EBITDA Bridge



## Key Highlights

- Price increases offset input cost increases
- Impact of increase in VAT rate
- Markdown investment to mitigate terminal stock risk
- Reduced FX gains
- Tightly controlled operating costs
- Increase in costs due to investment in marketing & new stores

# Financial Update: Capital Expenditure



- FY 2012 planned capital expenditure - c£21m
- FY 2012 maintenance capex – c£10m which will remain consistent for FY 2013

## New Stores

- Opening 3 new stores in FY12
  - Trowbridge – May 2011
  - Crawley – August 2011
  - Newtonards – November 2011
- Scunthorpe store to be resited in October 2011
- Grimsby store reopened in May 2011
- New stores show positive variances on ABV, ASP & conversion compared to LFL estate

# Financial Update: Cash & Stock

## Summary Cashflow Statement

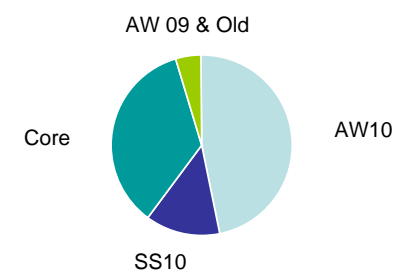
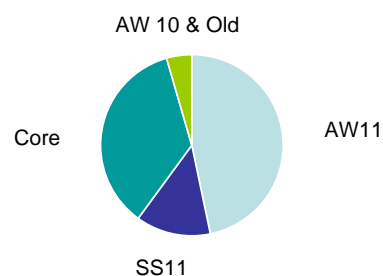
	Q2 FY12 QTD £'m	Q2 FY11 QTD £'m	Q2 FY12 YTD £'m	Q2 FY11 YTD £'m	FY11 Full Year £'m
Operating profit	4.9	27.9	25.5	54.4	114.6
Non cash items	8.7	9.2	16.1	19.4	36.6
Working capital movement	(8.1)	6.3	(22.0)	(12.9)	(11.0)
Tax	(3.3)	(9.1)	(6.0)	(18.2)	(32.1)
Capex	(3.5)	(10.5)	(10.7)	(17.0)	(33.0)
<b>Free cash</b>	<b>(1.3)</b>	<b>23.8</b>	<b>2.9</b>	<b>25.7</b>	<b>75.1</b>
Interest	0.0	(4.7)	(14.7)	(10.6)	(29.7)
Refinancing	(0.3)	0.1	3.8	(51.2)	(60.5)
Other	0.0	(0.1)	0.0	0.1	(1.6)
<b>Net (decrease)/ increase in cash</b>	<b>(1.6)</b>	<b>19.1</b>	<b>(8.0)</b>	<b>(36.0)</b>	<b>(16.7)</b>
Opening cash	76.7	44.7	83.1	99.8	99.8
Closing cash	75.1	63.8	75.1	63.8	83.1

Prior year results have been restated to exclude Wolsey Limited

## Key Highlights

- Decrease in operating profits affected cash
- Capital expenditure reduced
- Stock higher year on year:
  - New store opening
  - Supply chain inflation
  - Investment in Homeware core stock availability
  - Earlier launch of AW11
- Terminal stock flat yoy

## Stock (Split of Stock Holding by Units)



# Looking Forward

Paul Gilbert  
CFO



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# Future Looking: Current Trading & Outlook

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## Current Trading

- Improvements in LFL seen in July & August continued into September
- Last week in September adversely impacted by the unseasonably hot and sunny weather
- As anticipated H2 margin impacted by last years cotton prices

## Outlook

- Challenging Retail environment into second half and next year
- Provide quality & value to customers – “Line & Price”
- Stabilisation in supply chain costs
- Investment in growth revisited when climate permits
- Guidance for FY12



# III. Summary and Close

Darren Blackhurst  
CEO

# Summary & Close

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- Trading conditions continue to be very challenging
- Reflected in Q2 results
- Promotional activity and significant investment in margin
- Improving trends in performance
- Matalan continues to be a robust and cash rich business
- Focus on liquidity
- Question and Answers



# Q&A

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