

June 2016

Bonmarché

Preliminary Results
Presentation

Year ended 26 March 2016

Beth Butterwick CEO

Stephen Alldridge CFO



Agenda



- FY16 Overview
Beth Butterwick

- Financial Results
Stephen Alldridge

- FY17 Strategic Summary
Beth Butterwick

Introduction to Bonmarché

Vision: “At Bonmarché we make our customers feel fabulous about themselves”

Mission: “Be the destination multi channel retailer for 50+ women who want the appropriate, stylish, quality product at fantastic prices with outstanding service.”

What we stand for

- Stylish, fit for purpose, high quality clothing & accessories at value prices
- Multi-channel touch points allows our customer to ‘shop her way’
- Friendly staff offering great service

Market positioning

- Niche pure-play retailer catering for the C1/2, D,E mature female demographic (50+, and larger size)
- Growing demographic, which continues to be a poorly served

Our customers

- Brand passion from our Bonus Club members
- 7.2m customers, 1.7m ‘active’, 28% HVHL
- Bonus Club member sales account for 70% of total , HVHL +4.2% on year
- We *know* our customers – average age 65 years, 2 main profiles

Our channels

- 312 UK stores – all mature stores profitable, 39% ‘collect in store’
- Internet represents 7.3% of total sales with potential for significant growth
- Catalogue and call centre complement 2 main selling channels
- Ideal World TV shopping enhances overall ‘brand reach’



Business Update

Bonmarché

Highlights

- The external environment made for a challenging year of trading. However, we have emerged from this period focused on five key strategies that form the pillars of our forward growth and modernisation programme
- **Results**
 - Total sales grew 5.3%, LFL sales by 0.7%
 - H1 6.5% total sales growth, 2.0% LFL / Trading results disappointing in H2 4.1% total, (0.6%) LFL
 - Good organisational support around cost control in order to reduce trading impact on PBT
 - Underlying PBT £10.6m, down from £12.4m in FY15.
 - Low terminal stock through appropriate use of markdowns.
- **Progress against strategic objectives**
 - Brand & Customer – whilst our core customer remains loyal, we must accelerate attracting new customers. An autumn regional TV test demonstrated that this media is effective in driving new ‘awareness’
 - Product – core lines and wardrobe favourites drove good growth, however we are now modernising handwriting at a faster pace
 - Channels to market – new store openings were delivered to plan; improvements underway in online operation
 - Operations – an increased store delivery service, improved both product availability for our customers and store efficiencies
 - People – Significant strengthening of commercial functions; Marketing, Product, Internet, People teams, with new talent

Strategy update: modernisation

Our strategic “5 to drive” continue to be:

- Brand development & customer acquisition**
- Products**
- Channels to market**
- Systems & processes**
- People**

- Brand: fit for the future
- A relevant product offer
- A seamless customer journey
- 2020 customer experience vision
- Great people make great companies



Brand - fit for the future

- Customer acquisition
 - When prompted, 84% of our target demographic know Bonmarche; market share 5.2% in the 65+ years
 - Need to harness emotional engagement and the evolving attitude of new customers; market share 2.4% in the 50 – 64 years
 - Retain loyal customers, attract new customers
- Brand modernisation
 - 140 new store fascias updated
 - More aspirational models across customer touch-points implemented
 - Bonus Club improvements: Welcome packs , birthday cards and an on-going Diamond Club 'trial'
 - Phasing out of David Emanuel brand, introduced new Brand Ambassador - TV fashion presenter Mark Heyes
- Brand advocacy
 - Disappointing new customer recruitment and the successful TV trial has endorsed disparate brand awareness
 - External media campaign – Autumn 2016

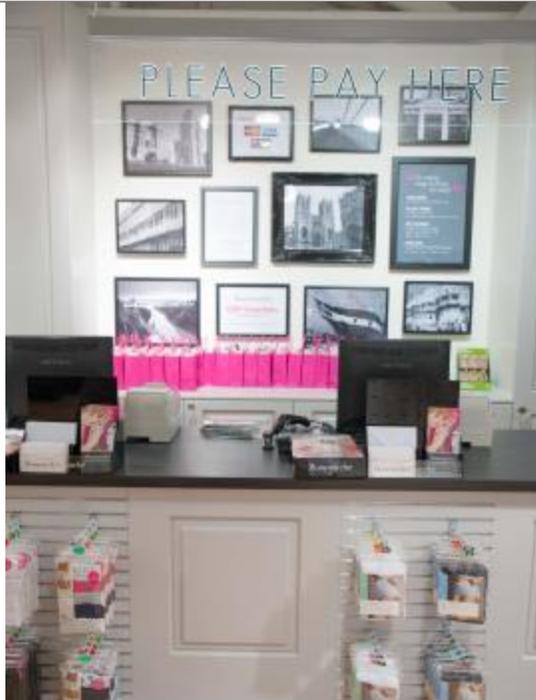


Products – a relevant offer

- Core Lines – good availability drove 15% year on year
- Wardrobe Favourites drove a 75% sell-through versus the seasonal collections of 53%
- Performance of Coats and Knitwear hit plan due to ‘de-weathering’ through early Autumn transition, however total performance was impacted by the warm Winter
- Seasonal collections were disappointing demonstrating that faster modernisation of the main ranges is required for existing and new customers. Demand for more ‘casual outfits’
- Opening price points have been rationalised for clarity of ‘stand out’ value
- New suppliers will be introduced to deliver modern handwriting execution
- Team significantly supported through the expertise of our new Product Director, Geraldine Higgins



A seamless customer journey - stores



- New stores/concessions opened to plan
 - Opened 4 new solus, 13 garden centres, 3 temporary stores, 5 new concessions
 - Paybacks in line with returns criteria
 - 25 new store openings offset by 5 closures, and 1 relocation.
- Rebranded 140 fascias & updated till points
 - 40 remaining stores will be completed in FY17
 - Average cost £7k per store

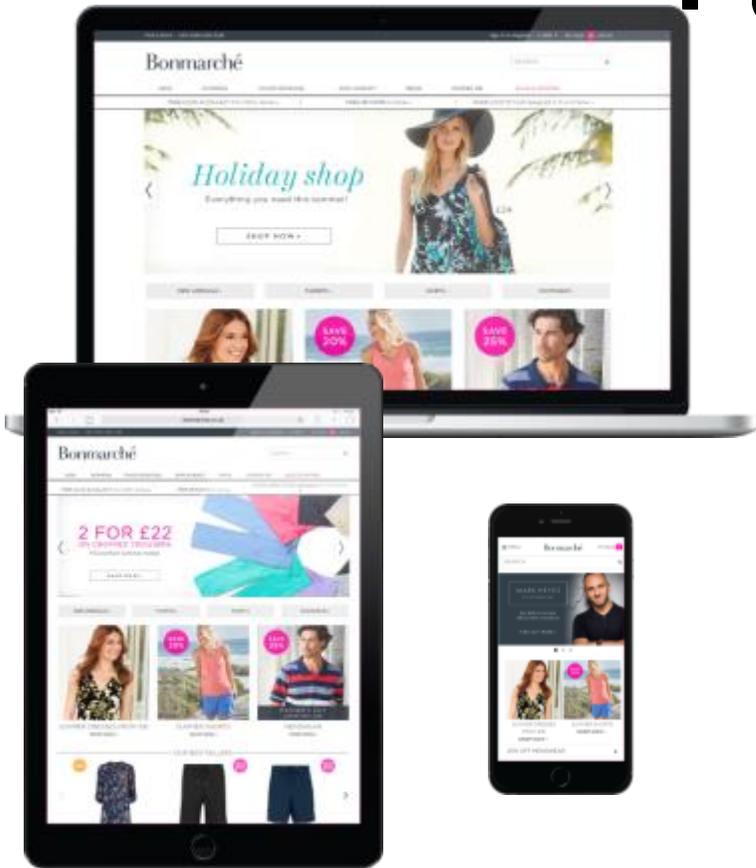
Customer service

- Personal shopping service rolled out across all stores – colleagues engagement with customers
- On-going mystery shopper & CSAT* feedback informs decisions across stores, product & marketing areas



*CSAT – customer satisfaction questionnaires

A seamless customer journey – internet

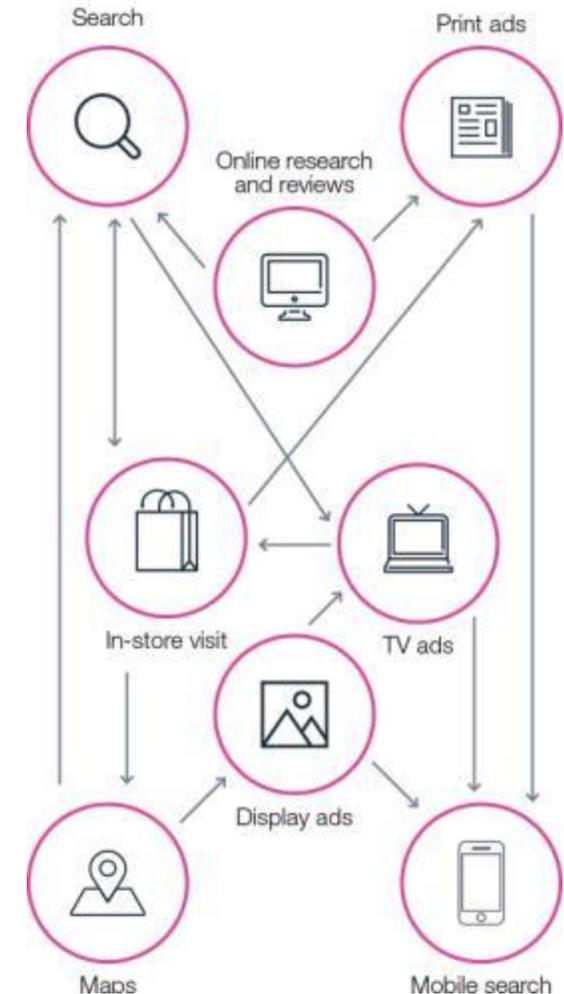


- Online sales +3.6%: 7.3% of total sales mix
 - Nov 2015 “Which?” Survey, joint “best online clothing & accessories shop”
 - Move to responsive website Jul 2015, causing site disruptions
 - Launched supporting tools; Attraqt. Live Chat, Foresee and Trust Pilot
 - Tablets 40%, mobile 13%, PC 47% of sales
 - Upskilled new Internet and digital marketing team
 - Current “audit” of end-to-end experience to improve shopability

Systems & processes – 2020 customer experience vision

- Enabling Bonmarché's modernisation

- Roll out of new EPOS system to all stores, allows further integration – on track to complete this year
- Internet re-platform to “Demandware” providing better ‘out of the box’ flexibility, on track to complete this year
- During H2 of FY16, undertook “Discovery” exercise to map business change need to customer proposition
- During FY17 to 19, we begin modernisation of processes, supported by new ERP system
- Change approach – minimising the bespoke elements, step-at-a-time approach, business led, supported by business change expertise
- New NED with CIO pedigree underpins governance
- No material change needed to previously guided annual capex levels



People – great people make great companies

- Strengthening of our organisation
 - Key hires; Product, People, Marketing Directors, Change Director, Head of IT, e-commerce, Creative Services, Change Team
 - Succession planning, and personal development plans
- Engagement & values
 - Organisational and team action plans post Best Survey results
 - Embed Values through processes and procedures
 - Business Change communication and support
- New 'engagement survey' (Best Companies, Times 100) to measure
 - Organisation effectiveness
 - Management accountability
 - Personal growth and wellbeing
 - Ranked 19th





Financial results

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Highlights

- Sales growth 5.3%
- PBT result in line with revised guidance
- Exceptional costs relate to Main Market move up
- Strong balance sheet/cash position
- 5% growth in final dividend to 4.64 pence

	FY16	FY15	£m / %
	£m	£m	change
Revenue	188.0	178.6	5.3%
Underlying EBITDA	14.3	15.5	(8.1%)
Underlying PBT	10.6	12.4	(14.5%)
<i>Underlying PBT margin</i>	5.6%	6.9%	(130bps)
Underlying EPS	18.3p	20.7p	(11.6%)
Final dividend (proposed)	4.64p	4.50p	0.14p
Total FY16 dividend	7.14p	6.80p	0.34p
Net cash	12.4	10.2	2.2

Gross margin and operating costs

- Gross margin
 - Higher discounting
 - Mitigated by better FX rates
- Costs well controlled; operating costs increased due to
 - New space, online marketing & TV advertising, improved delivery service, new hires
 - Inflation
 - Depreciation

	FY16	FY15	
	£m	£m	% change
Revenue	188.0	178.6	5.3%
Product gross profit	107.6	102.5	5.0%
<i>Product gross profit %</i>	57.3%	57.4%	(10bps)
Operating expenses (underlying)	(96.9)	(89.8)	(7.8%)
<i>Operating expenses %</i>	51.5%	50.3%	(120bps)
Operating profit (underlying)	10.7	12.6	(14.9%)
<i>Operating margin %</i>	5.7%	7.1%	(140bps)

Interest and tax

- Interest – RCF cost, interest receivable
- Tax
 - Lower charge due to prior year credit
 - Main Market move up costs increased FY16 effective rate
 - Effective tax rate without move up costs and prior year credit 20.6% (FY15: 22.0%)

	FY16	FY15	
	£m	£m	% change
Operating profit	9.7	12.6	(23.2%)
Exceptional items	1.0	-	100.0%
Underlying operating profit	10.7	12.6	(14.9%)
Finance costs	0.1	0.2	36.9%
Underlying PBT	10.6	12.4	(14.5%)
<i>Underlying PBT margin</i>	5.6%	6.9%	(130bps)
Tax	1.8	2.5	28.8%
<i>Effective tax %</i>	18.6%	20.2%	160bps
Underlying PAT	8.8	9.9	(10.9%)
Underlying EPS	18.3p	20.7p	(11.6%)

Operating cashflow

- Operating cashflow
 - In line with last year
 - Stocks –
 - FY16 less affected by Chinese New Year – less stock held at y/e
 - Payables – decrease due to unwind of rent free creditor

	FY16	FY15	£m
	£m	£m	change
Operating cashflow pre-working cap	13.4	15.8	(2.4)
Decrease/(increase) in stocks	0.5	(2.7)	3.2
Increase in receivables	(0.1)	(1.4)	1.3
(Decrease)/increase in payables	(0.6)	1.8	(2.4)
Net working capital movement	(0.2)	(2.3)	2.1
Funds generated from operations	13.2	13.5	(0.3)

Net cashflow

- Net cashflow positive
 - FY16 tax payment higher - received £0.6m refund in FY15
 - FY16 capex payments lower than guidance
 - £4m rolls into FY17 – timing difference
 - 2 year capex outflow approximately £18m as previously guided
 - Dividends – FY15’s payment reflected part-year for FY14
 - Other – FY15 inflow from new finance lease

	FY16	FY15	£m
	£m	£m	change
Funds generated from operations	13.2	13.5	(0.3)
Interest	(0.1)	(0.2)	0.1
Tax paid	(2.5)	(2.2)	(0.3)
Capex	(5.0)	(6.5)	1.5
Dividends	(3.4)	(2.2)	(1.2)
Other	(0.3)	0.5	(0.8)
Net cashflow	1.9	2.9	(1.0)

Balance sheet

- Stock
 - Decrease due to less Chinese New Year effect Mar '16
 - *Would* expect slight underlying increase due to new space
 - Winter end of season (terminal) stock level low
- Receivables and Creditors
 - "Business as usual"
- Cash
 - Affected by £4m timing difference re capex as noted above

	FY16	FY15	£m
	£m	£m	change
Non-current assets	17.8	15.8	2.0
Stock	24.3	24.8	(0.5)
Cash	13.0	11.1	1.9
Prepayments and receivables	14.9	15.0	(0.1)
Derivatives (FX hedging)	4.8	4.0	0.8
Creditors and provisions	(42.0)	(42.6)	0.6
Gross debt (finance leases)	(0.6)	(0.8)	0.2
Net assets	32.2	27.3	4.9

Summary

- The external environment made for a challenging year of trading. However, we have emerged from this period focused on five key strategies that form the pillars of our forward growth and modernisation programme
- Start of FY17 has continued to be tough due to poor weather, however our full year expectation is unchanged provided trading conditions normalise
 - External conditions likely to remain difficult
 - Strategic focus coupled with new talent, give us the opportunity to implement our modernisation programme and in turn grow our market share
 - Market positioning & niche remain attractive
- Strategy evolved to reflect the need to increase the pace of modernisation
 - Brand development & customer acquisition
 - Products
 - Channels to market
 - Systems & processes
 - People – Helen Connolly appointed as new CEO
- Next update
 - Q1 trading update, at AGM Thu 28 July 2016



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