



JOHN LEWIS OF HUNGERFORD PLC

FINAL RESULTS PRESENTATION – FY16

Tuesday 13th December 2016

London Hilton Hotel, Paddington



Disclaimer

This presentation includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believe”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts and include statements regarding the Company’s intentions, beliefs or current expectations.

Any forward-looking statements in this presentation reflect the Company’s current expectations and projections about future events. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein.

Forward-looking statements contained in this presentation regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this presentation. No representations or warranties are made as to the accuracy of such statements, estimates or projections.

The Company undertakes no obligation to update or revise (publicly or otherwise) any forward-looking statement, whether as a result of new information, future events or other circumstances. This presentation does not constitute an invitation or inducement to any person to subscribe for or otherwise acquire securities in the Company.

Agenda

- **OPENING REMARKS**
- **CEO REVIEW**
- **FINANCE PRESENTATION**
- **MOVING FORWARD**
- **STRATEGIC REVIEW**

CEO Review

Highlights

- Key board changes
- 3 year plan
- Four year performance
- Margin analysis
- Showroom performance
- Moving forward

Actions

The future

Board Changes

	DEPARTURES	JOINERS	REASON
APRIL	Malcom Hepworth		<i>Ill Health</i>
MAY	Damian Walters		<i>Restructuring</i>
JULY	Karen Stanley		<i>Resignation</i>
		Ken McNaught	<i>New Chairman</i>
SEPTEMBER	Jon Rosby		<i>Succession</i>
NOVEMBER	Ken McNaught		<i>Time Commitment</i>
		Gary O’Brien	<i>New Chairman</i>

3 Year Plan Post Mortem

SUCCESSES

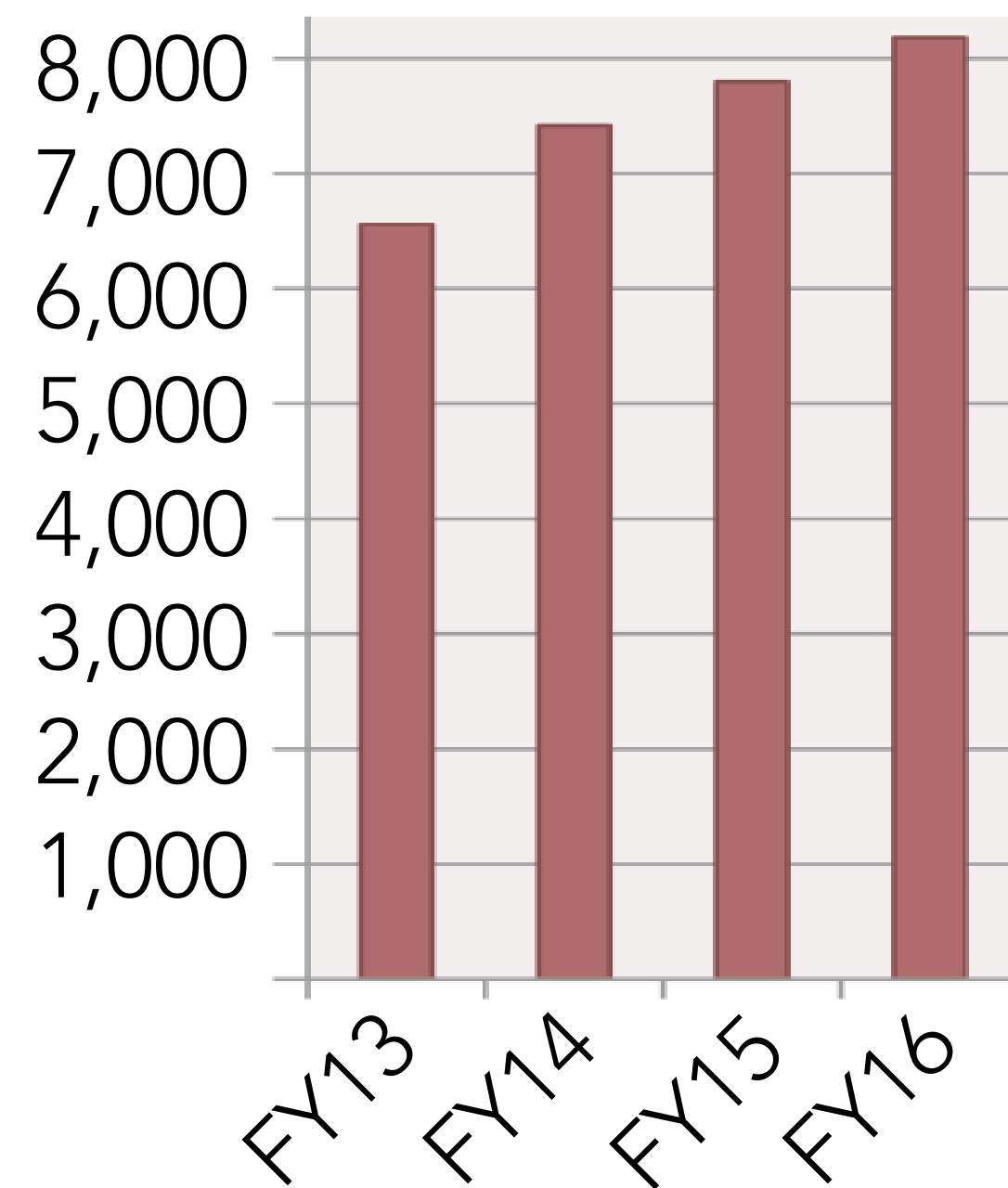
- Opened Two Showrooms
– contributing £1.5m
- Launched Bedrooms – now at 5% of sales
- Launched Pure – now at 20% of sales
- Selected refurbishments adding value
- Improved sales productivity by 28%
(in line with top line growth)

FAILURES

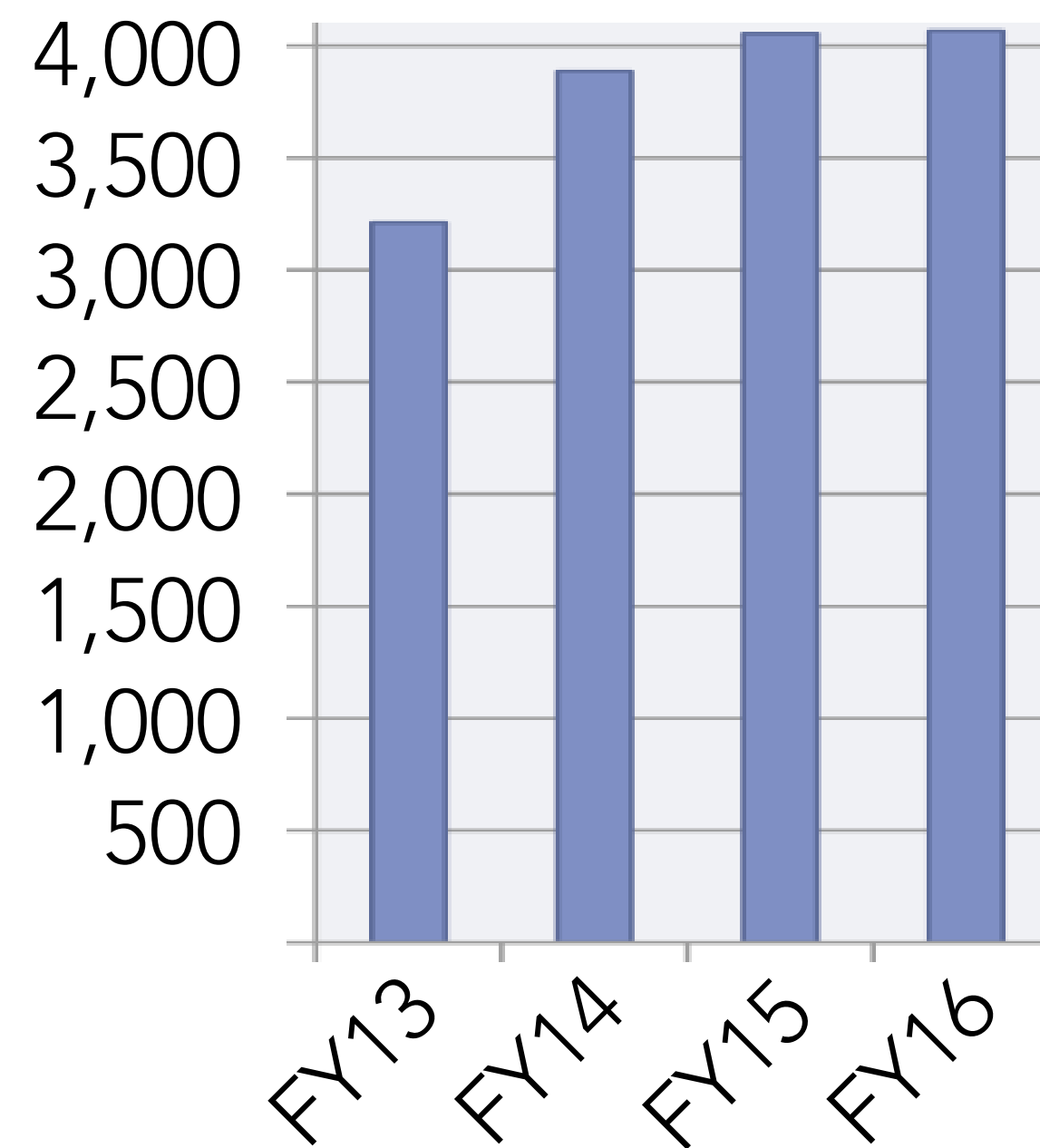
- Like for like achieved 10% growth,
not projected 15%. (-250k)
- Industry grew by 17% as predicted.
- One showroom not opened (-500k)
- Three closed, not one as projected.
(-500k)
- No external growth in Installations.
(-500k)

Four Year Performance

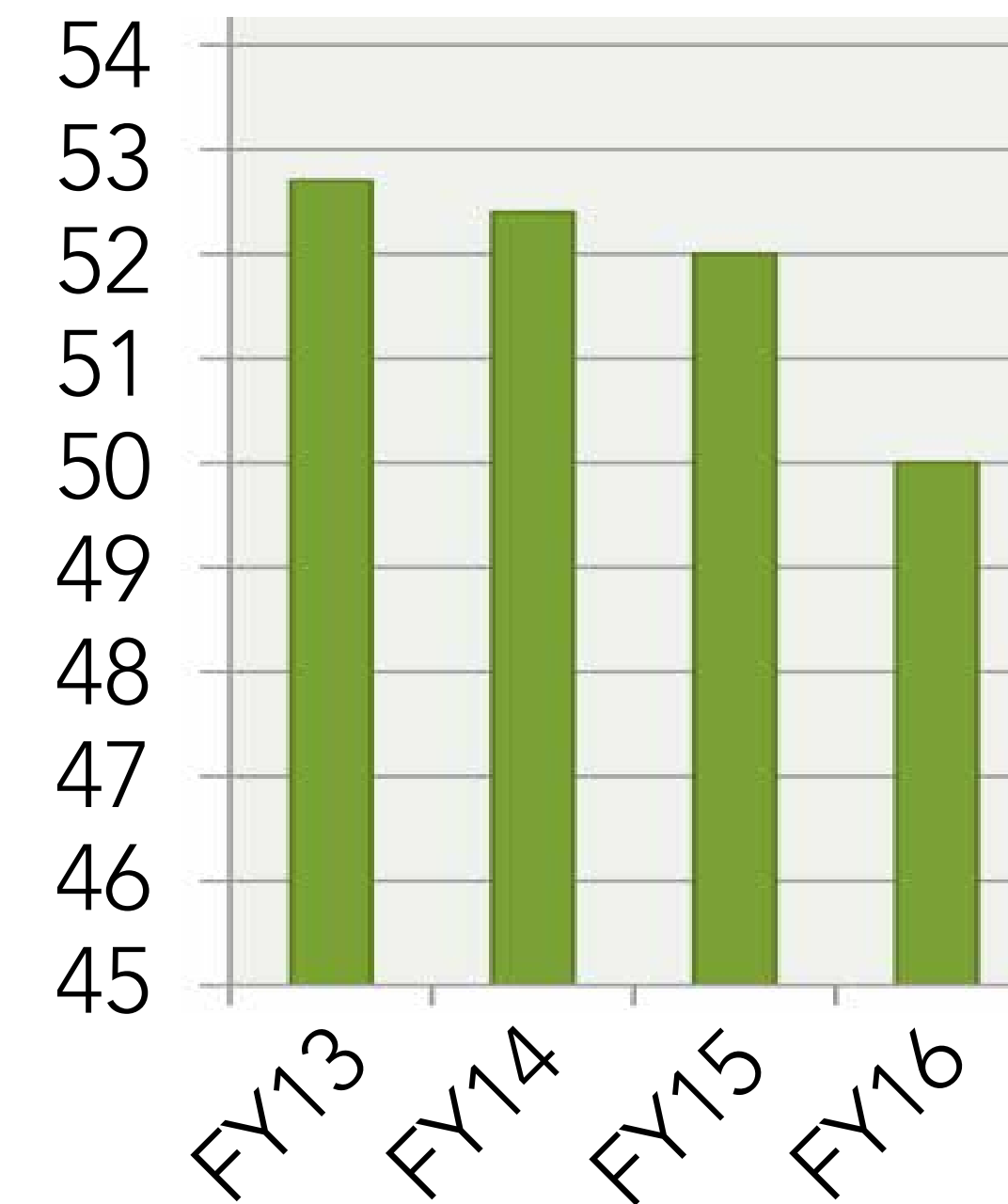
NET REVENUES



GROSS MARGIN



MARGIN %

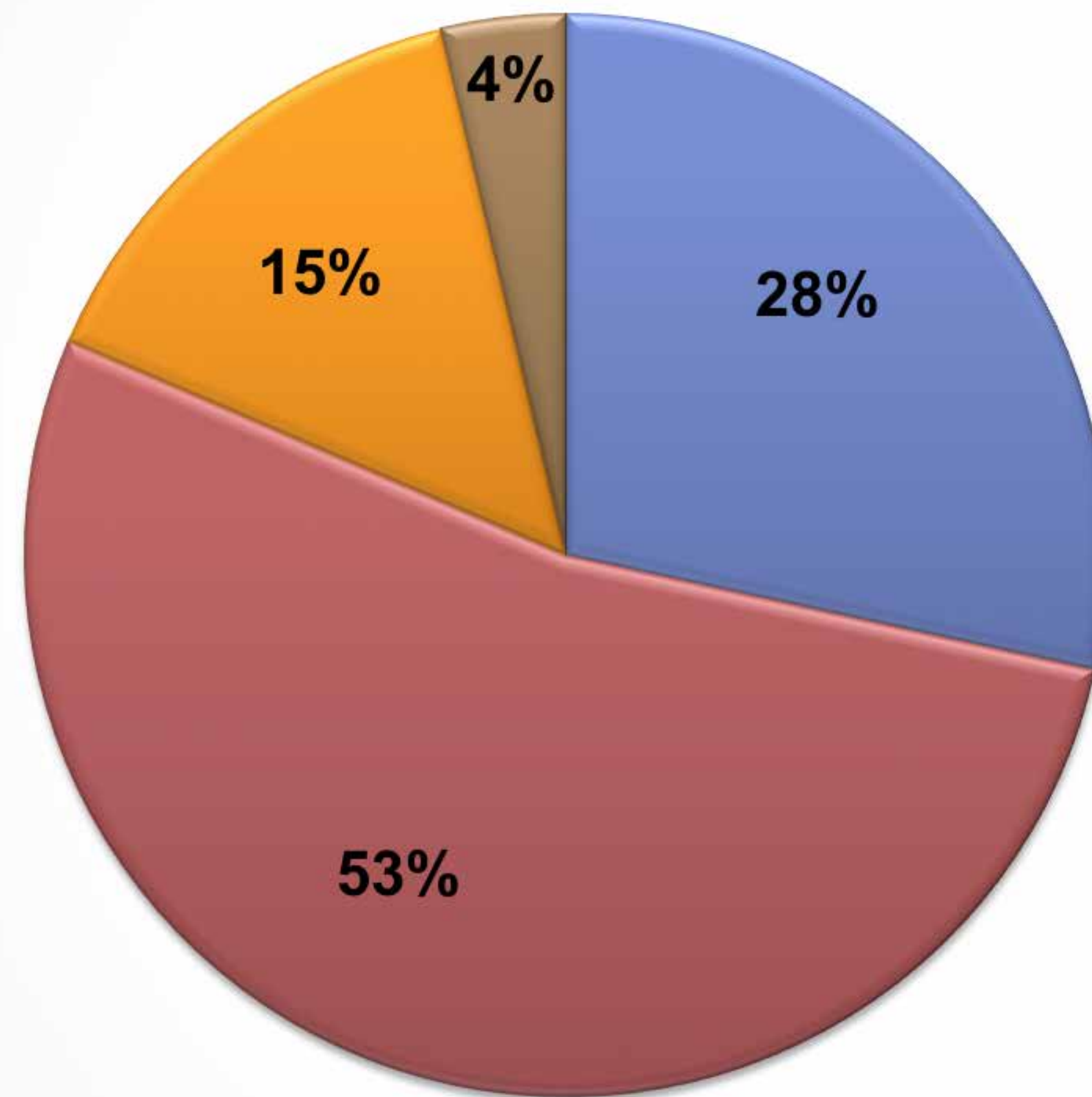
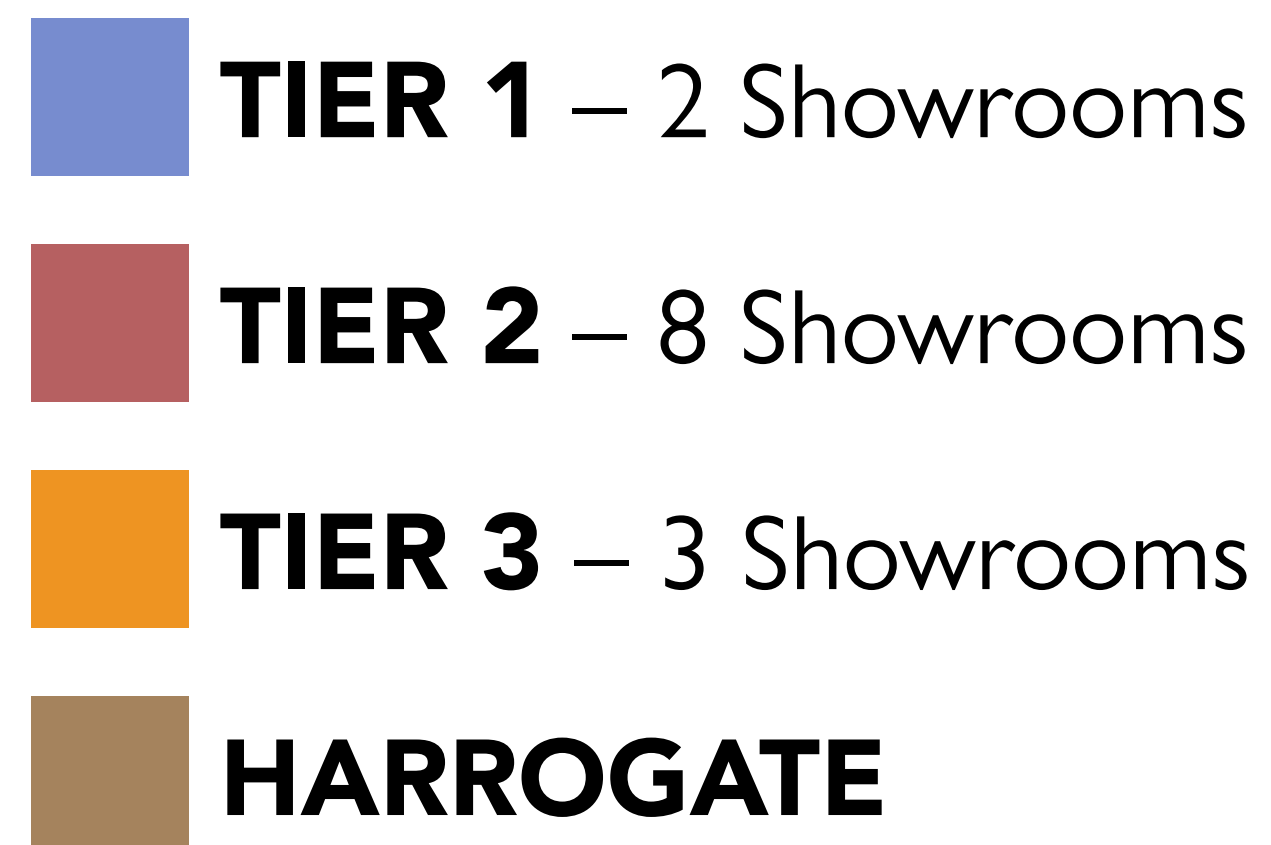


Margin Analysis

DECISIONS WHICH HAVE IMPACTED THE MARGIN:

- No price increase on 1st September 2015 due to competitive pricing pressures
Margin impact -0.4%
Price increase actioned for new business from 1st May 2016
- Outsourcing of some peripheral manufacturing activities due to restructuring / long term sick
Margin impact -0.8%
- Additional discounts / price matching on appliances & worktops
Margin impact -0.8%

Showroom Income



Sales Productivity

	SALES STAFF	DESIGNERS	AVERAGE £'000
FY16	30	24	340
FY15	32	24	314
FY14	32	24	302
FY13	28	24	265

Finance Presentation

Key Financials

(£'000)	2016	2015
NET REVENUES	8,180	7,798
GROSS MARGIN	4,066	4,054
EBITDA	(42)	195
LOSS AFTER TAX	(400)	(138)
RESTRUCTURING COSTS	(201)	0
CAP EX	212	357

Cash Balance

2016		2015	
£528k	Cash	£684k	Cash
£579k	POA	£522k	POA
£1,107k	Co. Balance	£1,206k	Co. Balance

Undrawn facility of Barclays Overdraft

Capital Investment 2017

- CAPEX SPEND 2016
 - Winchester – *Full refit*
 - Oxford – *Full refit*
 - Harrogate – *Full refit*
 - Bristol – *Full refit*
- CAPEX APPROVED FOR INSTALLATION IN JAN 2017
 - Hungerford – *Pure*
 - Winchester – *Full Bedrooms installation*
 - Fulham – *One display change*
 - Cobham – *One display change*

Restructuring Costs

SHOWROOMS	59
SALARIES/ REDUNDANCY	142
(£'000)	201

Restructuring Savings

DIRECTORATE	83
MANUFACTURING	48
SHOWROOM SALES	47
CENTRAL SUPPORT	82
NI/PENSIONS	43
(£'000)	303

Moving Forward

Actions

ENTIRE BUSINESS IS FOCUSED ON IMPROVING THE CUSTOMER JOURNEY & EXPERIENCE

- **SALES** – improved training; focus on conversion; better tracking; systematic follow-up of customers won or lost; maximising referrals; KPIs. look at field support
- **MARKETING** – new website with improved reach; personalisation of e-marketing experience; improved communications; increased online presence through social media; key deliverables for all agencies
- **OPERATIONS** – improved quality control; improved accuracy; reduced the need for corrective action; flexible workforce; reduced overtime; technical support improvements; KPIs; look at field support
- **FINANCE** – review of pricing architecture; detailed costings; more meaningful management information; grants and R&D credits; cost saving specialists; KPIs

The Future

- The transition
- Our impact
- Good behaviour
- The journey
- Leaders

Strategic Review 2017

- Timetabled for first half in mid-February
- Collation of analysis and information across the business and across the sector
- Outcomes will be presented in due course

Q & A



0700 278 4726
www.john-lewis.co.uk

This presentation is being made only to, and is only directed at, persons to whom this presentation may lawfully be communicated ("relevant persons"). Any person who is not a relevant person should not act or rely on this presentation or any of its contents. All subsequent oral or written forward-looking statements attributable to John Lewis of Hungerford plc or any of its shareholders or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above.