

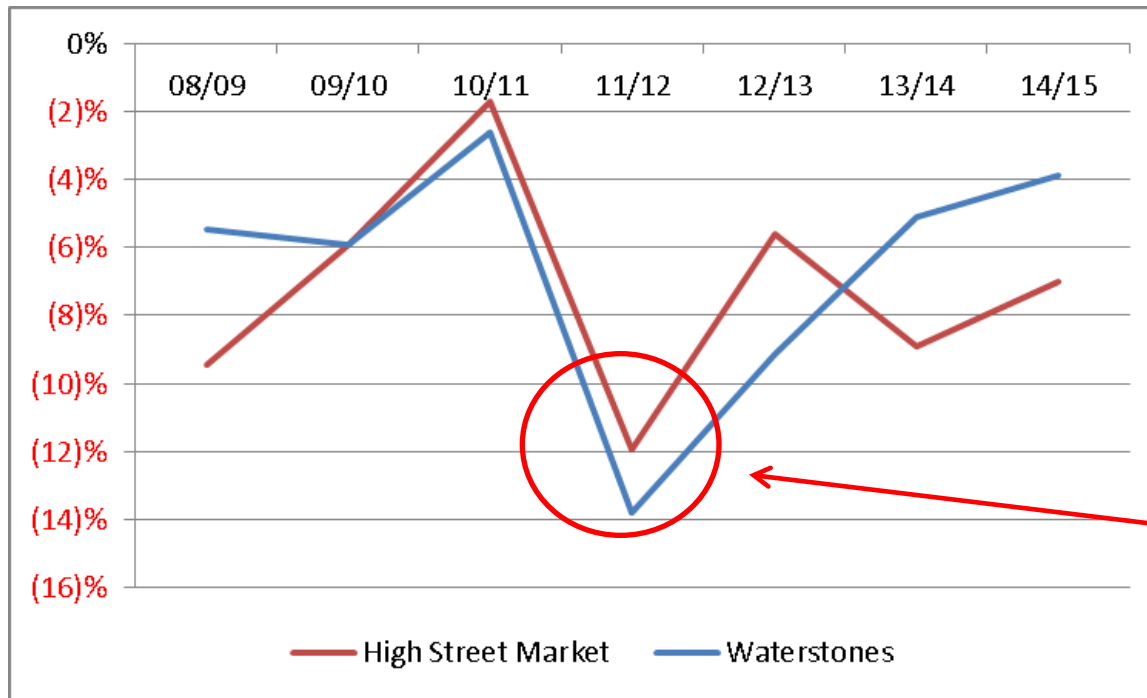


The Evolution of Waterstones

January 2014

Waterstones

UK Book Market



2013 Medium Term Plan ("MTP") assumes continued 7% pa market decline through to 15/16

Against expectation of 4% market decline in 11/12

- UK book market saw unprecedented 12% decline through 2011-12.
- High street market now 23% smaller than 2010.



The decline in sales

	<u>10/11</u>	<u>11/12</u>	<u>12/13</u>
Book sales	447.8	384.6	355.1
		(-63.2)	(29.5)

Waterstones lost £92.7m book sales in 2 years








Waterstones

Matched by decline in profit

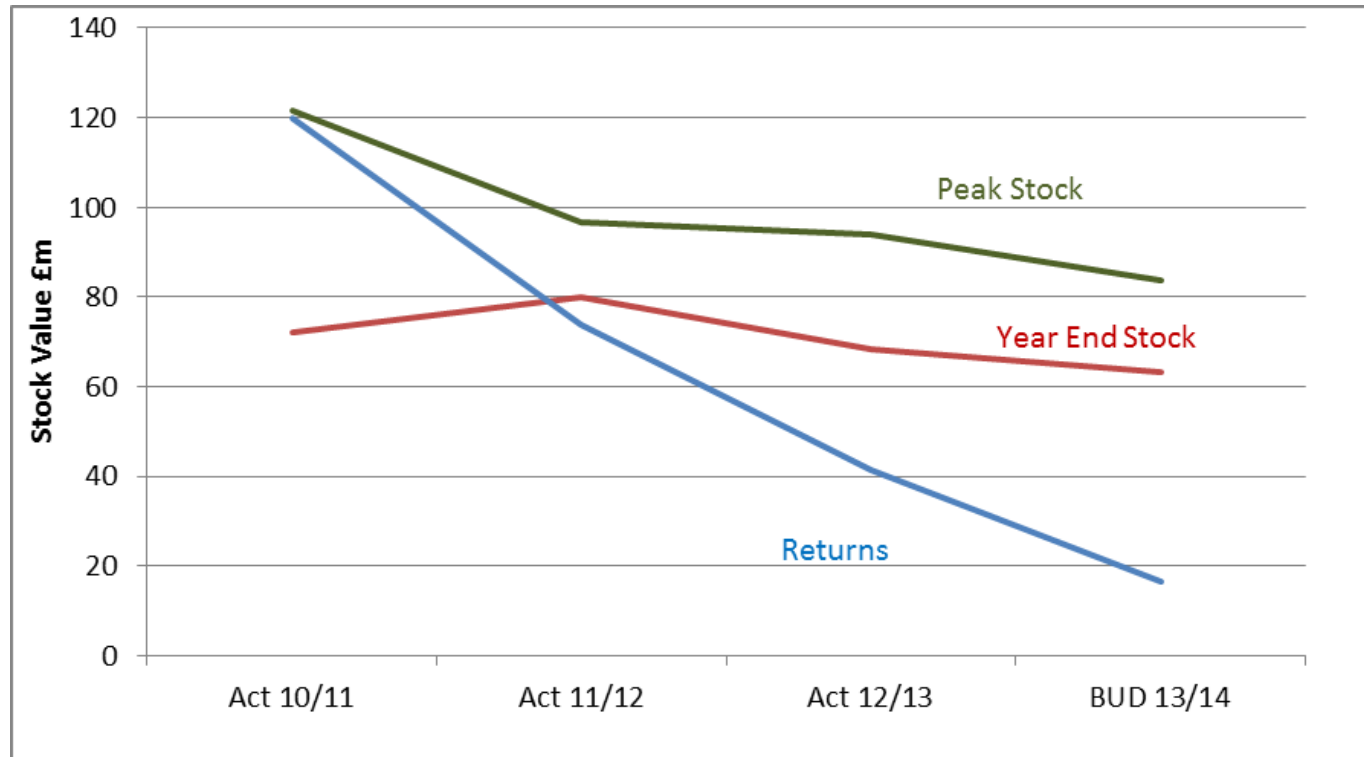
	<u>10/11</u>	<u>11/12</u>
EBITDA	8.7	(-21.0)

A swing of £29.7m in one year

Changing the ordering of books

Before		After
Only major titles ordered centrally		100% centralised
Branch level ordering and re-ordering		100% centralised but at regional level by 50
Anticipative and in bulk		Just in time - what's sold
Motivated by margin - £27m in 2010		Motivated by sales
4-5 man days per branch		1-2 man days per 8 branches
Bookseller led - predictive		Customer led - reactive
25% returns - £120m in 2010		7% returns and falling - £17m in 2013

Working capital – stock efficiency



- Working capital benefit even as title count and availability has increased
- Workload in the shop much reduced



9-12
PLEASE DO
NOT MIX UP

BOURNE

BOURNE

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Waterston

Children's books & toys





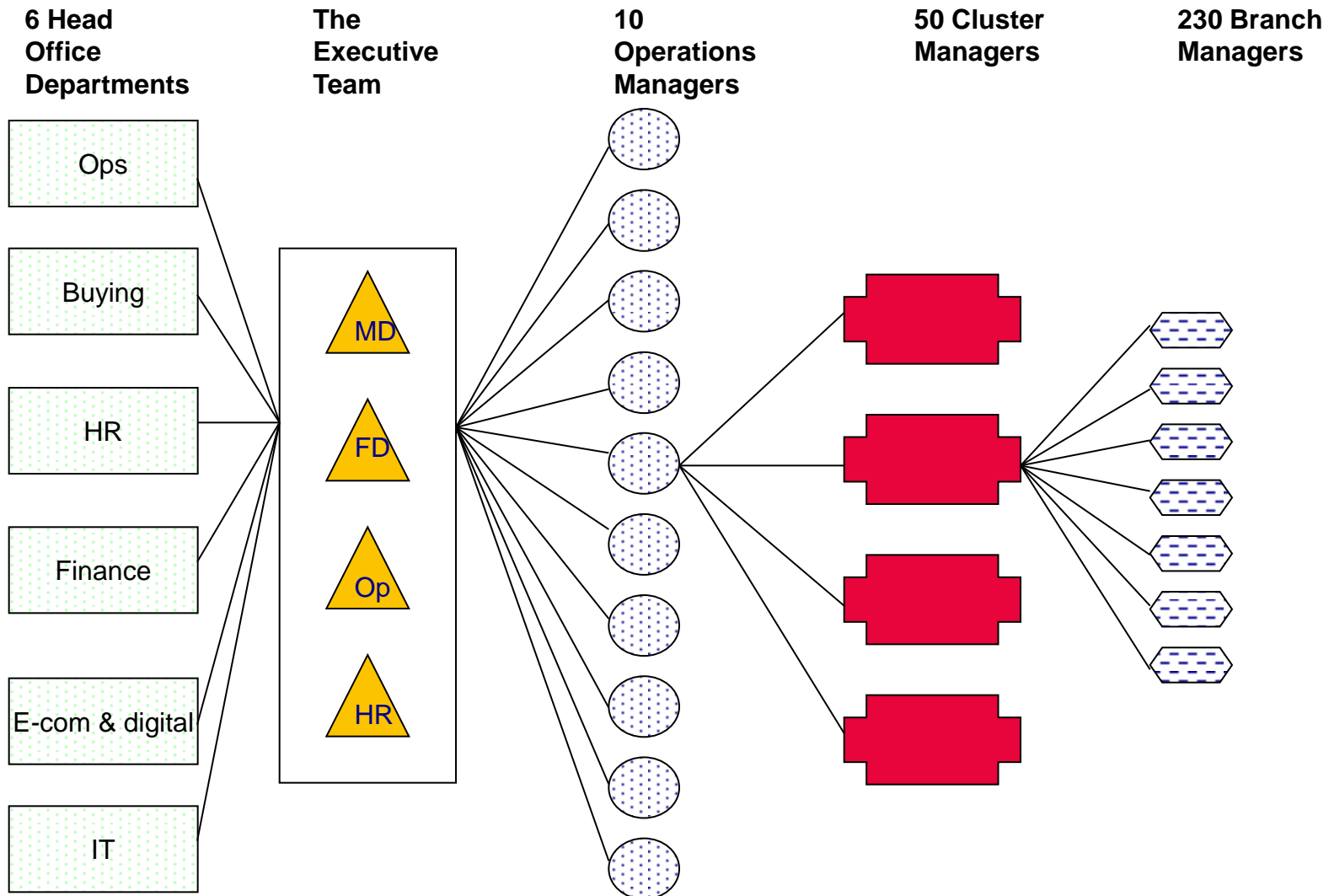


The graphs are getting better as bookselling improves

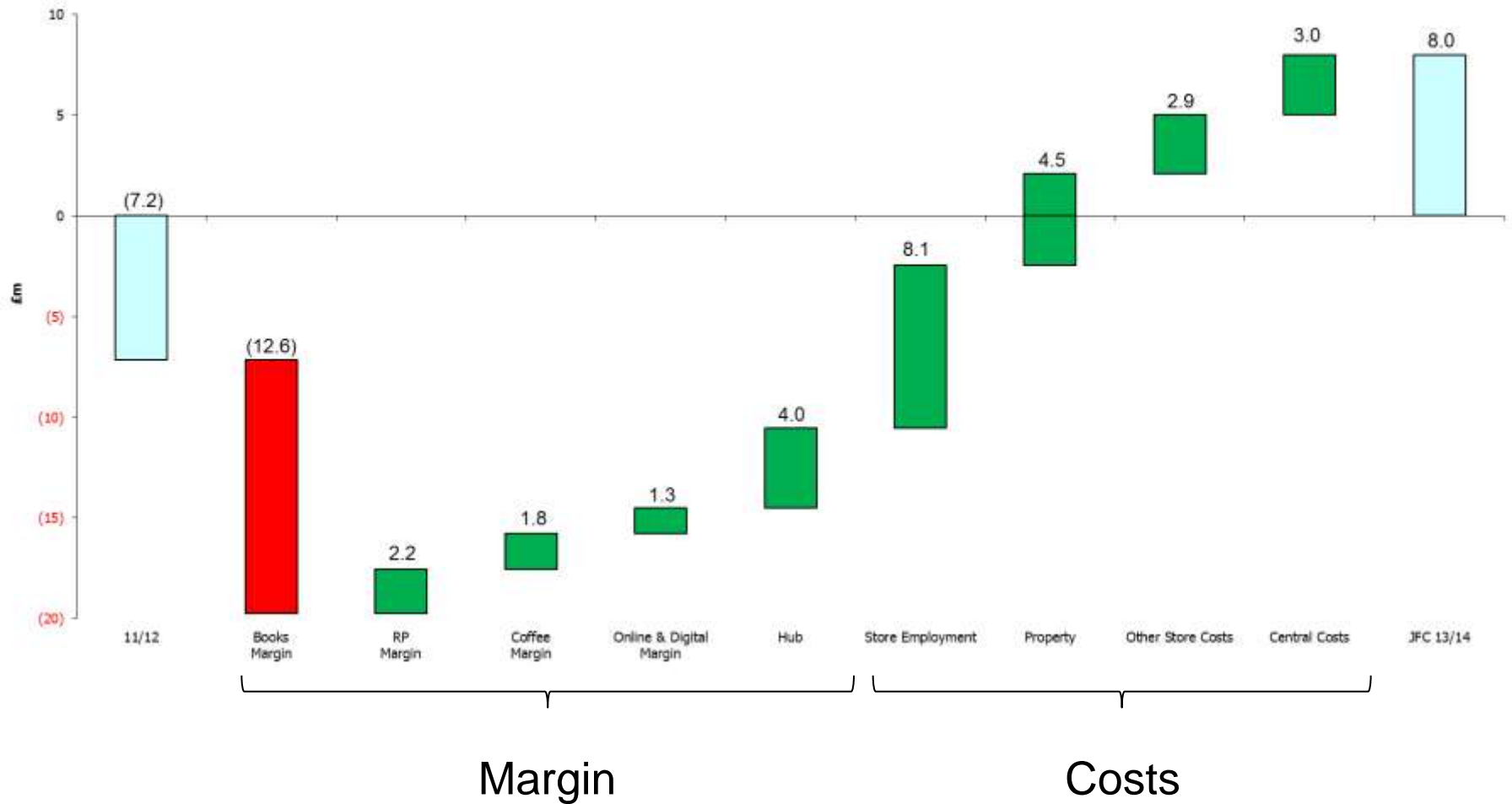


- Footfall declines in line with book sales – down 23% in three years
- Better shops improving conversion
- And growing Average Transaction Value
- Waterstones gaining market share

The New Organisational Structure



EBITDA recovery from 2011-12



A photograph of a well-stocked bookstore aisle. The shelves are filled with various books, including cookbooks like 'Family Kitchen' and '1080 Recipes', fiction books like 'Nigel Slater' and 'Zadie Smith', and gift books like 'The Gift of Reading'. The shelves are labeled with 'GIFTS', 'FICTION', and 'GREAT GIFTS'. A small white stuffed animal is perched on the top shelf.



Cards, Stationery & Giftwrap

TRIVIAL PURSUIT
Edition

Articulate
Articulate
Articulate

HALF PRICE

Books, Stationery & Gifts

W



Waterstones



W



Waterstones

W



Waterstones

Café W
Christmas! *meals*
Warm yourself up with a
Spiced Hot
Chocolate!!
or a
delicious
Caramel Cinnamon
Cappuccino!

Café W
Open,
Dry and



