

B&M European Value Retail SA

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FTSE 100 welcomes discounter B&M to cap founder brothers' 25-year journey

Like chalk and cheese is how Management Today described Simon and Bobby Arora, the billionaire brothers behind B&M European Value Retail SA (LON:BME), the FTSE 100's newest entrant after the reshuffle confirmed overnight.

Simon, 50, is a Cambridge-educated former McKinsey consultant, while Bobby, three years his junior, is the 'born trader' who quit education at 18 to start an import business.

They began working together in 1995 and bought B&M, then an ailing Blackpool grocery chain, in 2004. They transformed it by introducing homewares, toys, toiletries, pet goods and clothing.

Six years later, the business moved into a new head office and modern a 620,000 square foot distribution centre in Speke, Liverpool.

With private equity money from Clayton, Dubilier & Rice, it went on a domestic growth spurt and floated on London's main market in 2014, before making its first foray internationally later that year when it bought an 80% stake in German discount retailer Jawoll.

The recent purchase of Babou gave it a presence in France, while the acquisition of Yorkshire-based Heron Food Group allowed B&M to provide chilled lines.

With 656 stores, and valued at almost £4.8bn, it is worth more than Marks & Spencer (LON:MKS), B&Q owner Kingfisher (LON:KGF) and Morrisons (LON:MRW).

July's trading statement revealed a business in rude health as B&M said first-half underlying profits would be significantly higher than expected and in the range of £250m to £270m.

Former Tesco boss Terry Leahy, who chaired B&M for a time, revealed the secret of the brothers' success.

"Very early on, Simon and Bobby went out to China and developed close personal relationships with factory owners, often putting money up front," he explained to the Financial Times.

"That meant they always got the best prices.

"They've also kept it very lean and focused. It's a true discount model, they don't waste any money."

On the group's promotion to the blue chip index, analysts Greg Lawless and Clive Black at Shore Capital applauded the achievement of the management team, saying: "Given the retail backdrop in 2020 and the difficulties facing the sector, a relatively rare piece of good news for the wider retail sector.

Price: 546.4

Market Cap: £5.47 billion

1 Year Share Price Graph



Share Information

Code: BME

Listing: LSE

52 week High Low
612 245.6

Sector: Retail

Website: www.bandmretail.com

Company Synopsis:

B&M offers a broad range of quality products and key brands at low prices. By continually exciting our customers with fantastic value, enhanced by good retail standards, we provide a fun shopping experience which prompts customers to return again and again to a B&M store.

action@proactiveinvestors.com

"The fact that a discount variety retailer has made the FTSE 100 highlights the continuing structural changes in the retail sector."

FTSE reshuffle

B&M's promotion to the Footsie as part of index organiser FTSE Russell's quarterly rejig came as ITV PLC (LON:ITV) was relegated to the mid-cap index.

Fast-rising Diversified Gas & Oil PLC (LON:DGOC) was **also promoted to the FTSE 250**, following its promotion into London's main market from AIM in May this year.

Online CFD broker CMC Markets PLC (LON:CMCX) was also added, one of a cabal of companies returning to the 250 fold after a period among the small cap ranks, including Vectura Group PLC (LON:VEC), Indivior PLC (LON:INDV), Premier Foods PLC (LON:PFM), SDL PLC (LON:SDL) and the JPMorgan European Smaller Cos Trust PLC (LON:JESC).

One new investment trust arrival in the list was Baillie Gifford US Growth Trust PLC (LON:USA), up more than 150% since launch in March 2018.

The index changes will be effective as of September 21, when there will be relegations from the FTSE 250 for Bank of Georgia Group PLC (BGEO), AG Barr PLC (LON:BAG), Equiniti Group PLC (LON:EQN), Go-Ahead Group PLC (LON:GOG), Hammerson PLC (LON:HMSO), PayPoint PLC (LON:PAY), PPHE Hotel Group PLC (LON:PPH), Temple Bar Investment Trust PLC (LON:TMPL), with Finablr having already tumbled out.

--Additional reporting by Oliver Haill--

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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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