

Ocado Re:Imagined

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Ocado Group PLC
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Ocado Group plc **Ocado Re:Imagined - the next leap in innovation**

Today, Ocado Group is unveiling the next leap of game-changing technology underpinning the unique and proprietary Ocado Smart Platform ("OSP").

The technological breakthroughs and capabilities announced today will collectively mean that our OSP partners will be able to:

- meet the full range of customer missions faster and with lower operating costs
- enable short lead time deliveries for a larger proportion of sales
- drive faster speed to market and faster ramp

This evolution of the Ocado Smart Platform is one of the most significant steps forward in technology in Ocado's history and re-affirms OSP as the fastest, most flexible, most sustainable and most cost effective suite of solutions for operating online grocery businesses. Uniquely developed for the demands of the grocery space by our dedicated technology and engineering teams, these latest innovations to OSP are the result of cutting-edge research and development, as well as the accrued experience and know-how in driving unmatched efficiency across the entire online grocery delivery space over the last 20 years of Ocado.

The latest ground-breaking innovations include: the world's lightest and most efficient grocery fulfilment bot; dramatically lighter grids; robotic arms that pick groceries directly from the grid, a solution that automates the most physically demanding job in a Customer Fulfilment Centre; the world's first virtual distribution centre; a capability for short lead time deliveries; and a capability for powering retailers' own storefronts with the intelligence behind the Ocado Smart Platform.

These innovations will allow Ocado Group and our OSP partners to install the platform much faster and in simpler, highly optimised, more cost-effective buildings, requiring lower capex, with a faster time to go-live. In addition, partners will be able to achieve greater throughput from the same or smaller footprint, lower labour costs, and address labour shortage challenges.

These advanced capabilities mean that Ocado Smart Platform partners will be able to offer their customers an even better online grocery proposition across choice, short lead times, and value, with the best economics, thanks

to the structural and systemic advantage that the reimagined OSP gives them.

For Ocado Group, Ocado Re:Imagined offers higher returns from lower capital costs and operating expenses, an even greater Total Addressable Market available to the business, and the expectation of an acceleration in the sign-up of new partnerships in the years to come, in addition to further orders from existing OSP partners.

A replay of the Ocado Re:Imagined event will be available on the Ocado Group website www.ocadogroup.com.

A summary of our initiatives is as follows:

- **The 600 Series bot** is the world's lightest and most efficient grocery fulfilment bot, built using our expertise in additive manufacturing, with more than half of its parts 3D printed. It is cheaper to build and operate than its predecessor, ultra-energy efficient, and high performing. The 600 Series bot has continual software updates and on-demand parts which means higher utilisation of each bot. This lighter bot unlocks a cascade of benefits for optimised CFC design. This will enable the reimagined Ocado Smart Platform to be installed into simpler, more cost-effective buildings, as well as in micro fulfilment centres near the customer.
- **The 600 grid and optimised site design.** The lightweight design of 600 Series bot allows us to build lighter grids, faster. These new grids can be built in parallel, taking weeks, not months, to install and at a much lower cost. Because the 600 Series bots are highly energy efficient and require a lot less power to achieve the same throughput from the same footprint, new sites will require less chill equipment, lowering energy consumption levels and overall construction costs. The dramatic reduction in material used for our lighter grids not only makes site design easier, it also allows us to install our new technology into simpler buildings, significantly reducing the timelines and costs associated with the construction of purpose-built facilities.
- **Automated Frameload.** This process automates the loading of totes with ready-for-delivery customer orders onto delivery frames ready for dispatch, replacing the manual process currently in place. The automation of this process leads to lower labour costs and higher productivity per employee.
- **On-grid Robotic Pick.** This process automates the picking and packing of customer orders directly from the grid. For this to work in grocery, robotic arms need to be able to pick tens of thousands of products of varying shapes, sizes, weights, and fragility and pack them densely in bags with human precision and accuracy. Ocado Group has developed the technologies - machine vision, deep reinforcement learning and advanced sensing - which are required to pick and pack grocery items in a highly efficient and cost effective way without any prior knowledge of what those products are. The benefits of On-grid Robotic Pick include lower labour costs; reduced footprint; higher throughput in the fulfilment centre; optimisation of warehouse design leading to lower construction costs; and the ability to automate stock consolidation during off-peak hours as a key enabler for Ocado Orbit (see below) and consolidate stock better in off-peak periods.
- **Ocado Orbit: the world's first Virtual Distribution Centre.** One of the advantages of OSP is that it does not require a network of regional distribution centres to deliver products to the fulfilment

centre. Product is brought by the manufacturer to the CFC directly. Manufacturers only find this cost-effective, however, when they can deliver products in sufficiently large quantities. Under the current model, this means that CFCs need to be a certain minimum size to achieve the necessary economics for suppliers. Ocado Orbit addresses this challenge by creating a system whereby multiple smaller footprint warehouses share a "virtual distribution centre", which will use the latest software in AI and Machine Learning, in a seamless supply ecosystem. Each warehouse acts as a primary supply hub for a fraction of the stock but all have access to the combined range, offering their customers the choice of a large range. Ocado Orbit enables smaller fulfilment centres, closer to the customer, to be able to offer a large range, short lead times, and value simultaneously.

- **Ocado Swift Router** is an innovation by Ocado Group that enables delivery of last minute, short lead time orders as well as larger, longer lead-time orders, all from the same van. This means that partners need no longer make a trade-off between the benefits of short lead time orders and a today-for-tomorrow service and customers can have choice, value and lead times that work for them all together for the first time.
- **Ocado Flex** means that partners can use their own webshop and app solutions while taking advantage of the intelligence of OSP. As a result, they no longer need to write-off historic investment in their webshop to be able to benefit from OSP's market-leading customer proposition.

Financial Implications

We do not expect these initiatives to have a material impact on FY22 results. However, partners ordering standard-sized CFCs today for delivery in H2 2023 will have the following features enabled: 600 Series bots; the 600 grid and Optimised Site Design; Automated Frameload; On-grid Robotic Pick; Ocado Swift Router; and Ocado Flex. Orders made prior to the launch of Ocado Re:Imagined for delivery at the end of FY23 can be retrofitted to include many of these enhancements. We expect that the improved economics offered by Ocado Re:Imagined will drive incremental orders and accelerate the sign-up of new partnerships in the years to come, while increasing the Total Addressable Market available to the business.

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