

In principle agreement with Morrisons

RNS Number : 3900Q
Ocado Group PLC
29 February 2016

Ocado Group plc

Announcement of in principle agreement with Wm Morrisons Supermarkets plc ("Morrisons")

Ocado is pleased to announce that it has agreed headline terms with Morrisons for it to share some of the capacity of Ocado's customer fulfilment centre ("CFC") currently under construction in Erith, south east London. Under these terms Ocado will also provide Morrisons with the software necessary to fulfil online orders from its stores, primarily intended to enable online services in areas not currently serviced by a CFC.

The parties are working on the detailed terms of the agreement; there can be no certainty that an agreement will be reached.

Terms for Morrisons' capacity in Erith

The parties first entered into their agreement for online grocery fulfilment services in 2013 (the "Operating Agreement") with Morrisons sharing the capacity of the Dordon CFC.

The Erith CFC is due to go-live at the end of 2017 and is expected to have capacity of 210,000 orders per week.

Since the original agreement, Ocado has launched the Ocado Smart Platform ("OSP"), and so in principle the new terms for capacity in Erith will be structured in a similar way to those offered to international OSP customers with lower upfront capital costs and with ongoing annual fees dependant on capacity.

Tim Steiner, CEO of Ocado, said:

"We are delighted to have reached an in principle agreement with Morrisons. This is a win-win arrangement which allows both of us to grow faster, and more profitably, in a grocery market where channel shift is now an unquestionable reality.

"This potential deal demonstrates Ocado has the technology and know-how to help partners grow their online businesses rapidly and successfully, and take advantage of consumers' increasing desire for the convenience, choice, quality and value offered by online shopping and enabled by the Ocado Smart Platform".

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Notes to editors

About Ocado

Ocado is a UK based company admitted to trading on the London Stock Exchange (Ticker OCDO), and is the world's largest dedicated online grocery retailer, operating its own grocery and general merchandise retail businesses under the Ocado.com and other specialist shop banners.

About Ocado Smart Platform

Ocado began the commercialisation of its intellectual property with its agreement to operate the online business of Morrisons.

OSP is an enabling platform provided as a service to retailers. It comprises access to Ocado's physical infrastructure solutions to run highly efficient warehouse operations for the single pick of products together with the entire end-to-end proprietary software required to operate an online grocery business, from user interfaces, through warehouse operating and control systems, to logistics, route planning and optimisation. It is underpinned by Ocado's expertise and experience as a dedicated online grocery operator.

OSP provides multiple advantages to retailers wishing to operate online including:

- based on proven systems and infrastructure which Ocado uses in its own business
- both modular (size flexible) and scalable (can start smaller and scale up on short lead times)
- significant operational cost benefits
- supports a large range
- entire seamless proprietary software provision updated alongside Ocado's own development programme, providing "best in class" service for customers
- flexible agreement terms with low entry cost and ongoing fees linked to installed capacity.

Cautionary statement

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and assumptions and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results expressed or implied in these forward-looking statements. Persons receiving this announcement should not place undue reliance on forward-looking statements. Unless otherwise required by

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