

Trading Statement

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Ocado Group PLC
14 December 2021

OCADO GROUP PLC

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Ocado Retail Q4 Trading Statement

Strong underlying demand trend; conviction to invest and accelerate growth

Ocado Retail Ltd ("Ocado"), a joint venture between Ocado Group plc ("Ocado Group") and Marks & Spencer Group plc ("M&S"), today announces its trading statement for the 13 weeks to 28th November 2021.

Highlights

- **Q4 trends reflect strong momentum in underlying demand for Ocado; best-ever Christmas ahead**
- **Fastest ever ramp-ups at Andover and Purfleet; Bicester opening next summer**
- **Strong customer acquisition growth; heading towards 1 million landmark**
- **2021 expected outturn in line with guidance; strong demand offset by labour pressures and capacity constraints; shape of the week and basket sizes trending towards pre-COVID levels**
- **Strong, mid-teens sales growth expected for 2022; driven by accelerated roll-out of new capacity**
- **£50m impact from increased investments in 2022 to support long-term growth**

Key financials

	13 weeks Q4 2021	13 weeks Q4 2020	13 weeks Q4 2019	Growth ⁴ vs 2020	Growth ⁴ vs 2019
Retail revenue ¹	£547.8m	£570.1m	£416.2m	-3.9%	+31.6%
Average orders per week ²	375,100	345,700	328,955	+8.5%	+14.0%

Revenue

- **Customer orders per week were up 9% versus the prior year, driven by a 22% increase in active customers to 832,000**, demonstrating Ocado's ability to win new customers in the context of continued strong demand for our market-leading online grocery offer
- **Growth in orders**, while positive, was **impacted by the changing conditions in the post-lockdown UK labour market** in addition to the previously guided temporary reduction in capacity at the Erith Customer Fulfilment Centre ("CFC")
- **At the same time, the value of the average basket fell 12%, to £118 (note: up 13% v 2019)**, as customer behaviours continued to normalise as many consumers returned to the office and spent less time at home
- **The net effect of these two trends was that headline sales were down 4% in the 2021 quarter, compared with the same quarter in 2020 (note: up 32% compared with 2019)**
- Sales growth was held back by labour shortages; early in the quarter, headcount decreased across our delivery and CFC roles in Ocado Logistics; but following the introduction of the additional measures announced at the Q3 Trading Statement, and the end of furlough, vacancies are returning to more normal levels
- Participation of M&S products in the mix continues to be strong, at nearly 30% of the basket, demonstrating the continued popularity of M&S products in the average basket
- We are also experiencing cost inflation due to nationwide utility price increases and dry ice shortages and are mitigating these through various cost management measures.

Operations

- **Ocado Retail is adding significant new capacity** to take advantage of growing demand and deliver strong, sustainable growth
- The business benefited from additional capacity as the new facilities at Andover (opened in August) and Purfleet (opened in September) came on stream. Andover is now processing around 25k orders per week and Purfleet around 35k orders per week, out of an expected total at maturity of 60,000 and 85,000 respectively. These are the fastest ramp-ups of any CFC recorded to date.
- **Notwithstanding continued normalisation in the trading week towards the peaks and troughs experienced before the pandemic, the performance of Erith in Q4 has been in line with the expectations** we outlined with the Q3 trading update; with effect from mid November, notwithstanding labour constraints, live peak-day capacity at the site has returned to pre-fire levels,
- **Following the success of Zoom in West London, Ocado Retail expects to open a second Zoom site, in Canning Town, in the second quarter of 2022; three further sites are planned for the second half of next year** - these Ocado Retail Zoom sites will generate average revenues of around £20 million per year, many multiples higher than our competitors while offering customers an extensive range of around 10,000 SKUs and with an average basket size that we estimate is at least double our competition.
- **Looking to future years, Bicester CFC is planned to open in 2H22 and Luton CFC will open in 1H23**, adding 30k OPW and 65k OPW respectively, to bring total potential capacity to around 700k OPW (on a pre-Covid basket). The business continues to search for additional sites.

Outlook

2021

- **Outturn expected in line with guidance**

2022

- **We expect Ocado to return to strong, mid-teens revenue growth in 2022, at the top of the historic pre-COVID range of 10-15%**
 - The 3 new CFC sites opened in 2021, combined with the Bicester site to go live in 2H22, represent around 50% more available growth capacity compared with 4Q20
 - In addition, Ocado Retail expects to open four Zoom sites, representing mature capacity of around £80m in total
 - The business continues to search for future sites
- **ORL will make significant investments of around £50m in 2022 across a variety of areas to support strong growth, both in the year and for the longer term:**
 - **Around half attributed to the increase in capacity** including an increase in OSP fees and other fixed site-related costs
 - **The remainder allocated broadly evenly across:**
 - increased marketing spend, with continued investment in the brand to drive record customer growth, supporting accelerated sales growth as customer behaviour normalises
 - one-off costs associated with continued transformation of the non-OSP business platforms and an investment in talent to support the future scale of the business
 - measures taken to address ongoing labour shortages
- **Ambition for EBITDA margin to rebuild towards 2021 levels following a significant year of investment in 2022**, with long-term margins underpinned by technology and operating leverage

Melanie Smith, Ocado Retail's Chief Executive Officer, said:

"Over the past year our brilliant colleagues across Ocado Retail have been working to further strengthen our range and deliver more value for money to customers, as we continually refine and improve on the best customer proposition in the market. We are delighted that M&S products now account for nearly 30% of the basket - our customers clearly love the opportunity to buy M&S food online. The investments we have made over the past year mean we have significant capacity for growth in 2022 and we will continue to invest in facilities, systems and people in the year ahead to deliver on our long-term growth potential. We are working hard to manage current industry challenges, and Ocado Retail has great momentum as we get ready for another record Christmas and further strong progress next year."

Tim Steiner, Chairman of Ocado Retail, said:

"We are very encouraged by the underlying trends which are driving growth in our business. Hundreds of thousands of UK consumers have tried online grocery over the last eighteen months and the vast majority are continuing to shop online and are not going back to physical stores. These customers increasingly appreciate the customer service provided by [Ocado.com](https://www.ocado.com) and Ocado Zoom and the range of customer missions that we satisfy from the big basket to the top-up shop. We can see this in the strong growth in customer transactions at Ocado Retail over the second half of the year. At a time of growing momentum in the channel shift from physical stores to online we are bringing significantly more capacity to market and are confident that we are on a strong, long-term growth trajectory".

Ocado Group, on behalf of the joint-venture, will be hosting an analyst conference call at 7.30am today. Please use participant number: +44 (0)330

336 9125 and confirmation code: 6617307. A replay facility will be available through an on demand link for 90 days following the announcement.

Contacts

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About Ocado Retail

Online supermarket Ocado.com was established in 2000 and is one of Britain's leading online retailers, now a 50:50 joint venture between Ocado Group and Marks & Spencer Group plc. Covering geographies comprising over 74% of UK households, every shopping bag is carefully packed in one of six distribution centres or the first Zoom site in London, using market leading software and technology. Shopping is then delivered directly to customers using a network of regional spokes in brightly-coloured vans. With an award-winning mobile app, Ocado Retail delivers over 50,000 products, including big-name brands, a range of Ocado and M+S own brand products and non-food selection. Thoughtful service features such as colour-coded bags, digital receipts provided in date order, reminder texts with your driver's name, along with convenient hourly delivery slots complementing award-winning customer service on email, phone and social media.

Notes

1. *Retail revenue comprises revenues from Ocado.com and Ocado Zoom and excludes revenues from Fetch in current and prior periods*
2. *Average orders per week refers to results of Ocado.com.*
3. *Average basket size refers to results of Ocado.com.*
4. *Growth percentage calculated on a rounded basis.*
5. *The figures used in this announcement are unaudited.*
6. *A copy of this trading update is available on www.ocado.com and www.corporate.marksandspencer.com.*

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 applicable law, regulation or accounting standard, Ocado does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

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