

# Statement regarding new international partnership

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Ocado Group PLC

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**This announcement contains inside information**

**2 May 2018**

**Ocado Group plc / ICA**

## **Announcement of international partnership between Ocado and ICA**

We are pleased to announce the signing of an agreement between Ocado Group plc ("Ocado") and ICA Group ("ICA") to partner with Ocado Solutions to develop ICA's online grocery business in Sweden using the Ocado Smart Platform ("OSP").

ICA is the leading grocery retailer in Sweden with around 1,300 stores across the country and a market share of around 36%, generating sales of SEK 106.5bn in 2017.

With more than 15 years at the forefront of innovation and success in grocery ecommerce, Ocado will partner exclusively\* in Sweden with ICA to launch their end-to-end solution for online grocery services. This will include best-in-class front-end web site functionality, supported by Ocado's proprietary 'web shop' and mobile grocery ordering applications; construction of Ocado's latest generation, state-of-the-art automated warehouse designed specifically for grocery ecommerce (in which Ocado will invest to install internal infrastructure and robots); and last-mile routing management technology to optimize delivery efficiency, customer service excellence and punctuality.

In working with ICA, we are adapting our model to suit the needs of a different business model, based on retailer-owned stores, demonstrating the adaptability of the platform. The model will enable the independent retailers to continue to compete, which has been instrumental in making ICA one of the most successful grocery retailers in the world, while delivering the benefits of scale of Ocado's centralised fulfilment model. The platform is expected to be implemented by the end of 2020.

ICA and Ocado will develop their first Customer Fulfilment Centre ("CFC") in the Greater Stockholm area. The build is expected to take approximately three years. ICA will also transition its store-pick based operations to Ocado Smart Platform.

In addition to this initial CFC, ICA and Ocado will consider developing other CFCs elsewhere in Sweden. Ocado will provide a comprehensive and customized suite of support and engineering services to enable a smooth launch and sustainable ecommerce operations. ICA and Ocado will also partner to incorporate ongoing learning and innovation from Ocado's global experience into the Swedish business. In consideration of the investments made by Ocado, including maintenance and access to technology, ICA will pay Ocado certain upfront fees upon signing and during the development phase, then ongoing fees linked to both sales achieved and installed capacity within the CFC and service criteria.

Per Strömberg, CEO of ICA Group, said:

"We are now laying the foundation for the next generation ecommerce offering, and we are putting an important piece of the puzzle in place to realise our digital ambitions for all of ICA Group. Today we have the industry's most efficient processes for physical shopping, and through this agreement we can create the most efficient solutions also for ecommerce."

Anders Svensson, CEO of ICA Sweden and Deputy CEO of ICA Group, said:

"Our cooperation with Ocado entails that they will adapt their world-leading ecommerce platform to ICA's business model with independent retailers. At the same time, we will benefit from the fact that Ocado are continuously developing the platform for themselves and other leading grocery retailers around the world. An automated ecommerce warehouse will enable us to offer customers a wider product range online and better deliveries while at the same time streamlining ICA's logistics flows."

Luke Jensen, CEO of Ocado Solutions, said:

"We are excited and proud to be partnering with another of Europe's leading grocery retailers. ICA has a strong track record of growth and innovation and our Smart Platform will give the ICA-retailers the opportunity to provide their customers with new levels of service, convenience and value. Our flexible, scalable and modular solution is uniquely positioned to address a fresh set of challenges and allow ICA deliver its ambitions for online."

#### *Expected financial impact for Ocado*

Ocado expects this deal to create significant long term value to the business. The impact of this transaction should be earnings neutral in the current financial year. Ocado expects minimal additional capex in FY18 but additional capex in future years as development of the CFC project gets underway.

There will be a conference call for analysts held at 8.00am GMT.

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A replay will be made available shortly afterwards on the website.

\* Exclusivity based on ICA meeting certain pre-agreed growth targets

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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). It comprises one of the world's largest dedicated online grocery retailers, operating its own grocery and general merchandise retail businesses under Ocado.com and other specialist shop banners, together with its Solutions division.

#### *About Ocado Solutions*

Ocado Solutions is responsible for corporate partnering, which began with its agreement to operate the online business of Wm Morrison Supermarkets plc in the UK, and more recently with agreements with Groupe Casino and Sobeys to develop their online businesses in France and Canada respectively.

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 applications 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 in the UK.

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

- enables retailers to own, control and operate their own online businesses
- based on proven systems and infrastructure which Ocado uses in its own retail business
- both modular (size flexible) and scalable (can start smaller and scale up on short lead times), and supports a large range
- significant operational cost benefits
- 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
- Ocado does not compete with grocery retailers outside of the UK.

#### *About ICA*

With around 1,300 stores and a market share of around 36%, ICA is the leading grocery retailer in Sweden. The business is operated in cooperation with independent ICA-retailers. They each own and operate their own store, which makes it possible for them to tailor concepts and offers to local demand. There is also extensive collaboration on things like expansion, sourcing, logistics, IT and marketing communication, enabling economies of scale to be achieved. ICA Sweden also has ICA Special, which works with sourcing and sales of non-food items including non-food sales through Maxi ICA Stormarknad. ICA Special also runs a wholesale operation for ICA Kvantum, ICA Supermarket and ICA Nara in Sweden, and delivers products to ICA's operations in the Baltic countries.

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#### **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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