

Statement regarding new international partnership

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Ocado Group PLC

17 May 2018

This announcement contains inside information

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Ocado Group plc / Kroger

Announcement of a partnership agreement between Ocado and Kroger

Ocado Group plc ("Ocado") has signed a partnership agreement with The Kroger Co. ("Kroger") under which Ocado's technology will be used in the US exclusively by Kroger for grocery and other food distribution related activities. The objective of this partnership is to allow Kroger to redefine the grocery customer experience in the US through the adoption of the centralised, automated model of online retailing provided by the Ocado Smart Platform.

Kroger is one of the world's biggest grocery retailers, and a market leader in the US, with sales in fiscal 2017 of \$122bn.

Ocado and Kroger have agreed to the following:

- Ocado believes Kroger to be the grocer best-positioned to win in US grocery and will discontinue discussions with other US-based retailers
- Kroger agrees to pay monthly exclusivity and consultancy fees which will offset in part the total fees that are expected to be agreed between the two parties
- An overall services agreement will be negotiated to provide for the drawdown of multiple CFCs across the US, on the basis of standard Ocado OSP terms
- Kroger will subscribe for up to 33,146,200 new ordinary shares in the capital of Ocado, equivalent to 5% of the existing issued share capital of Ocado, at a value of £183m.

Kroger and Ocado are already working to identify the first three sites in 2018 for development of new, automated warehouse facilities in the US, and will identify up to a total of 20 over the first three years of the agreement. In the event of a failure to commit to the target capacity, Kroger will pay compensation to Ocado.

In the longer term, Kroger will retain exclusivity in the US conditional on it meeting market share targets or ordering an agreed number of CFCs per annum.

Tim Steiner, CEO of Ocado, said:

"Ocado's unique, proprietary and industry-leading technology is set to transform the shopping experience of consumers around the world. Our success as a retailer shows that we can offer customers unrivalled choice, quality and convenience, efficiently and profitably. The opportunity to partner with Kroger to transform the way in which US customers buy grocery represents a huge opportunity to redefine the grocery experience of Kroger's customers and create value for the stakeholders of both Kroger and Ocado. As we work through the terms of the services agreement with Kroger in the coming months, we will be preparing the business for a transformative relationship which will reshape the food retailing industry in the US in the years to come."

Rodney McMullen, Chairman and CEO of Kroger, said:

"We see Ocado as an innovative, exciting and transformative partnership in pursuit of our Restock Kroger vision, to serve America through food inspiration and uplift. We are actively creating a seamless digital experience for our customers. Our partnership with Ocado will speed up our efforts to redefine the food and grocery customer experience - creating value for customers and shareholders alike."

Expected financial impact for Ocado

Ocado expects the earnings impact of this announcement to be neutral in FY2018. Ocado expects that the structure of the terms to be agreed with Kroger will be broadly similar per CFC to those agreed with Groupe Casino, Sobeys Inc. and ICA Group. Ocado and Kroger will, however, explore value neutral alternatives to our normal fee structure to reduce the initial capital requirements for Ocado compensated by an appropriate reduction in ongoing fees.

There will be a conference call for analysts held at 7.30am GMT.

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

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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, Sobeys and ICA Group to develop their online businesses in France, Canada and Sweden 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 Kroger

The Kroger Co. (NYSE: KR) is dedicated to its Purpose: to Feed the Human Spirit™. Kroger is nearly half a million associates who serve nine million customers daily through a seamless digital shopping experience and 2,800 retail food stores under a variety of banner names, serving America through food inspiration and uplift, and creating #ZeroHungerZeroWaste communities by 2025.

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Cautionary statement

Certain statements made in this announcement are forward-looking statements. Such statements are not intended to be a profit forecast or estimate and 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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