

Trading Statement

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Ocado Group PLC
25 May 2022

OCADO GROUP PLC

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Ocado Retail Trading Update

Ocado Group ("Group") has issued today a Trading Update for Ocado Retail to coincide with the publication of the Marks & Spencer Full Year 2021 results which include Ocado Retail results to the end of Q1 2022.

Summary

Since the beginning of Q2, Ocado Retail has continued to win new customers and grow market share online. The fundamentals of the business are strong and Ocado Retail is confident that sales and EBITDA contribution will follow an increasingly positive trajectory in the medium to long term. This confidence is based on expectations of continuing customer acquisition, the availability of capacity to meet future demand, and encouraging trends in underlying productivity.

Like every consumer-facing business in the UK, however, Ocado Retail's short term sales growth reflects changing customer behaviour against the background of a growing cost of living crisis.

In response to this, Ocado Retail is mobilising the ingenuity and commitment of its colleagues, and the resilience of its business model, to offer customers fair value and the highest quality service through this challenging period.

Market backdrop

Since Ocado Retail's Q1 trading update on the 17th of March, the trading environment has deteriorated, as has been widely reported in industry data, with the cost of living crisis compounding the impact of a return to more normal consumer behaviours as restrictions have ended and many people return to the office.

In the last few months, the grocery market has declined by 4-5% compared to last year when the country was experiencing peak COVID restrictions. Online grocery overall has declined by around 20% compared with last year, although the online market remains 60-70% higher compared with two years ago. Online share of grocery at 11-12% is almost double compared to pre-pandemic levels.

Food price inflation and the value of the average basket

While Ocado Retail is committed to offering customers fair value, the business also recognises the high cost inflation being experienced by food suppliers and others in the grocery supply chain. Overall, food price inflation in the average basket is trending in the low single digits. In addition to the impact of the normalisation of consumer behaviours, industry trends are increasingly impacted by the cost of living crisis in the UK. Ocado Retail is seeing consumers ordering one or two fewer items per shop than before and therefore the value of the average basket is currently trending 9% lower compared to a year ago.

New customer acquisition

Over the week beginning the 9th of May, Ocado Retail delivered 400,000 orders to customers for the first time. However, although customer numbers are growing (up 12% year-on-year, year to date), the rate of growth has slowed as consumers respond to short term discounts and promotions. A combination of slower growth in customer transactions, and a slightly lower average basket, means that Ocado Retail sales were down around 8% in Q2 in the period up to and including the 25th of April compared to a fall of 5.7% reported in Q1.

Ocado Retail continues to see big pools of demand in the UK market for online grocery services which, with new capacity coming on stream, it has the opportunity to serve. Ocado Retail continues to show the strongest growth in the online channel and is winning market share, according to industry data.

Impact on ORL sales and EBITDA contribution

Given expectations that the effects of the cost of living crisis will intensify, with a further rise in utility prices anticipated in the autumn, Ocado Retail now expects that sales growth in FY22, while positive, will nonetheless be in the low single digits rather than around 10%, to which we guided previously.

Slower than expected sales growth, coupled with the impact of higher utility and fuel costs in the year, implies a low single digit EBITDA margin for Ocado Retail in FY22.

Key indicators of efficiency in both fulfilment and the last mile continue to show positive trends. Of particular note, units picked per labour hour ("UPH") in our newest sites, Andover and Purfleet, are exceeding our 200 UPH target, with Andover having hit 220 UPH. This gives the business confidence that the EBITDA margin will recover towards a high mid-single digit level over time as it recovers the fixed costs of new capacity and when the impact of the current cost of living crisis begins to abate.

Separately, Ocado Group will be hosting an accounting seminar at 3pm BST today to discuss the modelling of the business and to improve understanding of the underlying operating segments. For those not attending the presentation in person there will be a webcast link detailed on the Press Release, and replay facilities made available, shortly after the presentation, on the Group website, [OcadoGroup.com](https://www.ocadogroup.com).

No additional material updates on current trading will be provided at the event.

Contacts

- David Shriver, Director of Communications, Ocado Group on 020 7353 4200 today or 01707 228 000
- Martin Robinson at Tulchan Communications on 020 7353 4200
- Fraser Ramzan, Head of Investor Relations, Marks and Spencer Group plc, on 0203884 7080

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 using market leading

software and technology. Shopping is then delivered direct to customers using a network of regional spokes in brightly-coloured vans. With award-winning mobile apps, Ocado Retail delivers over 50,000 products, including big-name brands, a range of M&S and Ocado own brand products and a growing 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.

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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