

Replacement:Statement re international partnership

RNS Number : 5533C
Ocado Group PLC
22 January 2018

The following amendment has been made to the 'Statement regarding international partnership' announcement released on 22 January 2018 at 07:00 under RNS No 4637C:

The announcement header concerning inside information has been included.

All other details remain unchanged.

The full amended text is shown below.

This announcement contains inside information

22 January 2018

Ocado Group plc / Sobeys Inc.

Announcement of international partnership between Ocado and Sobeys

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

Sobeys is Canada's second largest food retailer, operating more than 1,500 stores across the country, and generating sales of C\$23.8bn in fiscal 2017.

With more than 15 years at the forefront of innovation and success in grocery ecommerce, Ocado will partner exclusively* in Canada with Sobeys 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 its grid and robots); and last-mile routing management technology to optimize delivery truck efficiency, customer service excellence and punctuality.

Sobeys and Ocado will develop their first Customer Fulfilment Centre ("CFC") in the Greater Toronto Area. The build is expected to take approximately two years.

In addition to this initial CFC, Sobeys and Ocado will consider developing other CFCs in Canada's dense urban areas.

Ocado will provide a comprehensive and customized suite of support and engineering services to enable a smooth launch and sustainable ecommerce operations. Sobeys and Ocado will also partner to incorporate ongoing learning and innovation from Ocado's global experience into the Canadian business.

In consideration of the investments made by Ocado, including maintenance and access to technology, Sobeys will pay Ocado certain upfront fees upon signing and during the development phase, then ongoing fees linked to installed capacity within the CFC and service criteria.

Michael Medline, President & CEO of Sobeys Inc., said:

"Sobeys intends to play to win in Canadian online grocery shopping. We are very excited to bring this best-in-the-world grocery ecommerce experience to Canadian customers. This unique and innovative Sobeys and Ocado experience will offer consumers the biggest selection, freshest products and most reliable delivery available anywhere on the planet. Our end-to-end ecommerce solution will allow Sobeys to build an online offer in a manner that is profitable and creates exceptional value for our customers, investors and supplier partners."

Tim Steiner, CEO of Ocado Group, said:

"We are delighted to be working with one of the leaders in North American grocery retailing. Sobeys is a highly successful and much admired Canadian business and we are proud that they have chosen Ocado Solutions to partner with to build their online grocery business".

Luke Jensen, CEO of Ocado Solutions, added:

"Channel shift to online in North America is gaining pace as consumers increasingly seek the benefits of grocery shopping from the comforts of their own homes, and as retailers attempt to offer services to meet this growing customer trend. We are pleased to be partnering with innovative and forward-looking retailers such as Sobeys. Soon Sobeys, along with Ocado, Morrisons and Groupe Casino will be powered by Ocado Smart Platform, sharing a common goal of harnessing the best technology for grocery ecommerce to win in their markets. We look forward to welcoming more major grocers to this list going forward".

Expected financial impact for Ocado

Ocado expects this deal to create significant long term value to the business. Ocado expects the transaction to be earnings neutral in the current financial year with the costs of establishing the partnership, integrating Ocado Solutions' software platform with Sobeys systems and further investments in our capabilities, offsetting the initial fees payable. Ocado expects to incur additional capex of £15m in the FY18 financial year to support this partnership and accelerate the development of our platform, with further capex in future years.

In FY19 and beyond the profitability of Ocado Solutions is likely to grow as the fees from the transaction increase, and as other deals are signed.

There will be a conference call for analysts held at 13.00 GMT.

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

*Subject to Sobeys meeting pre-agreed capacity commitments

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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 an agreement with Groupe Casino to develop its online business in France.

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. Key features include:

- 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 Sobeys Inc.

Proudly Canadian, with headquarters in Stellarton, Nova Scotia, Sobeys has been serving the food shopping needs of Canadians since 1907. A wholly-owned subsidiary of Empire Company Limited (TSX: EMP.A), Sobeys owns, affiliates or franchises approximately 1,500 stores in all 10 provinces under retail banners that include Sobeys, Safeway, IGA, Foodland, FreshCo, Thrifty Foods, and Lawton's Drug Stores as well as more than 350 retail fuel locations. Sobeys, its franchisees and affiliates employ more than 125,000 people. More information on Sobeys Inc. can be found at www.sobeyscorporate.com.

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Cautionary statement

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