

International partnership between Ocado and Aeon

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This announcement contains inside information

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Ocado Group plc/Aeon

Announcement of partnership between Ocado Solutions and Aeon

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

Aeon is one of Japan's longest-established retailers with almost a century of experience serving Japanese customers. It is also one of Asia's largest retailers, with over 580,000 associates and approximately 100m customers. Aeon operates over 21,000 stores across various businesses, with operations in 14 countries.

Aeon will launch a new online business with OSP, harnessing Ocado's unique, proprietary customer fulfilment centres ("CFCs") and end-to-end software applications to serve millions of customers across Japan.

The agreement plans for the development of a national fulfilment network to serve the whole of the Japanese market, with expected sales capacity of around 600bn JPY by 2030, growing to approximately 1tn JPY by 2035.

Initial CFCs will serve the Kanto region, with the first planned to go live in 2023, to be followed by further CFC capacity over the following two years. By 2025, Aeon expects to have a sales capacity in this region in excess of 200bn JPY.

Aeon is expected to commit to further CFC capacity in the period following its first CFC going live. This capacity will be served via a configuration of different sizes of facility, enabling Aeon to serve a wide range of customer shopping missions flexibly as the Japanese grocery ecommerce market continues to develop. In addition, Aeon will leverage Ocado's proprietary store-pick software within parts of

their existing store network, and offer click-and-collect from selected sites.

Ocado will also provide Aeon with its end-to-end software platform as well as a comprehensive suite of engineering and support services to ensure smooth launch and ongoing development of its ecommerce operations.

Aeon 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 each CFC and service criteria.

This agreement is mutually exclusive in Japan on the basis of Aeon, in the longer term, meeting market share targets or ordering an agreed amount of CFC capacity per annum.

Motoya Okada, CEO of Aeon said:

"We see Ocado as a state-of-the-art, exciting and transformative partner aligned with our strategy of accelerating Aeon's Digital Shift to serve Japan's consumers.

We will be able to give consumers the convenience and more importantly "time" to let them fulfil other more meaningful aspirations.

We will forge stronger relationships with our customers by offering a more personalized service driven by the capabilities of the Ocado Smart Platform, coupled with Aeon's capabilities to curate an exciting and compelling product mix centered around serving the lifestyles of our consumers.

We will actively partner with Ocado to create a smooth, seamless digital experience thereby speeding up our efforts to reform the online customer experience"

Tim Steiner, CEO of Ocado Group said:

"I am delighted to welcome another extraordinary retailer, and the first from Asia, to the unique international club of grocers powering their ecommerce operations with Ocado. This partnership marks a major milestone for the food retail landscape in Japan, and I am excited that Ocado will play a key role in bringing ever greater levels of convenience and choice to Aeon's customers."

Luke Jensen, CEO of Ocado Solutions, said:

"Japan is one of the most high tech economies in the world. It is also a unique and exciting market for grocery ecommerce, with sales primed for huge growth in the coming years."

"Aeon is a giant of Japanese retail with a long-standing commitment to delivering outstanding grocery experiences to its customers. I am delighted that they have chosen the Ocado Smart Platform to build on this commitment, bringing cutting-edge innovation and the learnings from a global network of world-class retailers to their ecommerce operations."

Expected financial impact for Ocado

As Ocado continues to sign more partnerships worldwide, the company remains resolutely focused on execution. Ocado will invest in the Solutions business and expects to scale the resources and infrastructure required to serve our current and future partners successfully. Ocado expects an additional £25m of operating costs in FY20, given the extra support costs for Solutions generally and the specific early costs of implementation for Aeon.

The transaction will have no financial impact in the current financial year, given that it comes right at year-end. Ocado expect minimal additional capex in FY20 with the majority of additional capex in the 18 months prior to the opening of CFCs.

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

Dial in details: +44 3333000804 (toll) or 08003589473 (toll free) Pin Code: 47649537#

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

Contacts

OCADO

- Tim Steiner, Chief Executive Officer - Ocado Group, on 01707 228 000
- Luke Jensen, Chief Executive Officer - Ocado Solutions, on 01707 228 000
- Duncan Tatton-Brown, Chief Financial Officer, on 01707 228 000
- David Shriver, Director of Communications, on 01707 228 000
- Martin Robinson, Tulchan Communications on 020 7353 4200

AEON

- Motoya Okada, President and Group CEO, on +81-43-212-6061
- Akio Yoshida, Executive Vice President and Representative Executive Officer, Developer Business and Digital Business, on +81-43-212-6061
- Kaori Miyake, Executive Officer CSR & Communication, on +81-43-212-6061
- Kikuko Fujita, General Manager Corporate Communications Department, on +81-43-212-6061
- Sadayuki Kurimoto, Manager Public Relations Group Corporate Communications Department, on +81-43-212-6061

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. In February 2019, Ocado Group announced the creation of an online grocery retail joint venture with Marks & Spencer plc, one of the UK's leading food and clothing retailers.

About Ocado Solutions

Ocado Solutions is responsible for Ocado's corporate partnerships, providing the Ocado Smart Platform as a service to retailers around the world. OSP comprises access to Ocado's physical infrastructure solutions, running highly efficient warehouse operations for the single pick of products, together with the entire end-to-end proprietary software applications required to operate a world class online grocery business. It is underpinned by Ocado's proven expertise and experience as a dedicated online grocer in the UK.

Ocado Solutions is partnered with leading grocery retailers worldwide, including Kroger, Sobeys, Morrisons, Groupe Casino, Coles Supermarkets, ICA Group, Bon Preu Group, and Ocado Retail.

About Aeon

Aeon is the largest retail conglomerate in Japan and has earned the highest operating revenue in Japan's retail industry for seven consecutive years. Aeon operates in 14 different countries with major activity in Japan across various businesses and services such as hypermarkets, supermarkets, drugstores, and financial services.

Person responsible for arranging the release of this announcement:

Neill Abrams
Group General Counsel & Company Secretary
Ocado Group plc
Buildings One & Two Trident Place
Mosquito Way
Hatfield
Hertfordshire
AL10 9UL
Fax: +44 (0)1707 227997
email: company.secretary@ocado.com
Ocado Group plc LEI: 213800LO8F61YB8MBC74

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