

# Trading Statement

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Ocado Group PLC  
14 September 2021

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### Ocado Retail Q3 Trading Statement

#### Faster ramp of new capacity helps offset temporary disruption at Erith CFC

Ocado Retail Ltd ("Ocado"), a joint venture between Ocado Group plc ("Ocado Group") and Marks & Spencer Group plc ("M&S"), today announces its trading statement for the 13 weeks to 29 August 2021.

#### Highlights

##### Revenue

- The revenue performance of Ocado Retail in Q3 (-10.6% vs. +54.0% in 3Q20) represents encouraging trading throughout a period best looked at as two distinct halves; before and after the fire at the Erith Customer Fulfilment Centre on July 16th.
- **Over the first 6 weeks of the quarter, the business was performing in line with expectations, with revenue marginally down -1.8%** reflecting:
  - Year on year comparison against exceptionally strong growth in Q3 2020 (+54.0%) when ongoing pandemic restrictions drove significant demand during typically softer summer months (note that total revenues for Q3 in FY21 are £142m (+38%) ahead of Q3 revenue in FY19).
  - Record customer acquisition levels of 64k new customers, to 805k customers, driving positive trends in customer order growth. Orders per week increased 22% in this period while the value of the average basket<sup>3</sup> continued to normalise to £124, a level consistent with the average for the quarter which was down 12% compared to £141 in Q3 2020.
- As previously reported, a fire took place at the Erith CFC on 16th July. Ocado Group's safety protocols and fire attenuation measures were successfully and effectively implemented during the incident resulting in less than 1% of the grid being damaged. The CFC was able to commence operations as a spoke, delivering for both Ocado Retail and Morrisons customers, within three days, with orders being fulfilled from the site within a week.
- **In the remaining 7 weeks of the quarter, and due to the disruption caused by the fire, revenue declined by 19%.** In

addition to the need to cancel orders in the week following the fire, the temporary reduction in capacity reduced our ability to offer slots to new customers. Taken together, and net of the offsetting benefit of increasing capacity at other CFCs, we estimate that in the period we lost a total of around 300,000 orders, or around £35m of revenue, due to the temporary disruption.

- **Taking the pre-and post-fire performance of Ocado Retail together, revenue fell 10.6% in the quarter.**

#### Operations & Outlook

- We are pleased to report that our CFCs at Hatfield and Dordon have increased capacity and new capacity at CFC 5 in Andover (60k OPW) and CFC 6 in Purfleet (85k OPW) is now available, taking total capacity today when fully ramped to just over 600,000 orders per week.
- The speed of take-up has been impressive; Purfleet and Andover each delivered 10,000 orders in their first full week, with Andover now processing around 20,000 orders per week, representing the fastest ramp up of capacity in Ocado's history.
- This additional capacity is helping to offset temporary additional safety measures we have chosen to put in place at Erith, where we expect pre-fire capacity to be fully restored by the end of November in time for what we expect to be strong Christmas trading.
- Operating losses during the second half due to the business disruption, primarily lost orders, caused by the fire are estimated to be around £10m as the CFC ramps back up to full capacity. These losses will adversely impact reported EBITDA for the current financial year. In addition, the impact of stock and fixed asset write-offs and other incremental costs associated with the fire are estimated to also be around £10m. These write-offs will be treated as exceptional items; amounts recovered under our insurance cover, net of deductibles, of around £10m will be treated as exceptional income. The resulting net cost to Ocado, not covered by insurance, is therefore currently estimated to be around £10m.
- Rising costs of labour, particularly for LGV and delivery drivers represent an increasingly important issue for the industry that may result in up to £5m of impact to full year numbers, reflecting additional measures being taken to hire new staff including raising hourly rates and offering signing-on bonuses. We will be working to mitigate these costs as best we can.
- **Ocado Retail expects to deliver strong revenue growth in FY22**, with a full year of capacity contribution at Bristol, Andover and Purfleet and the forthcoming opening of Bicester. Given the strong underlying demand for online grocery services in the UK, Ocado is pleased to report that it intends to increase capacity even further and today announces that additional CFC capacity will open over 2022-23 with a new CFC planned in Luton (65k OPW) in addition to Bicester (30k OPW), extending total capacity even further to around 700,000 orders per week.

#### Key financials

	13 weeks to 29 August 2021	13 weeks to 30 August 2020	Growth <sup>4</sup>
Retail Revenue <sup>1</sup>	£517.5m	£578.8m	(10.6%)

Average orders per week <sup>2</sup>	338,000	333,000	1.4%

**Melanie Smith, Ocado Retail's Chief Executive Officer, said:**

"There is so much to celebrate at Ocado Retail. On 1<sup>st</sup> September we marked the one-year anniversary of delivering M&S food to customers, marking a transformational partnership between two iconic British brands. We are delighted to see such a positive response from customers to these M&S products, which now represent 29% of the basket. We're also excited that the go-live of new state-of-the-art robotic customer fulfilment centres at Andover and Purfleet will significantly increase our capacity to serve customers and experience Ocado's outstanding range, value and service. We are looking forward to another bumper Christmas and an exciting year of growth in 2022".

**Tim Steiner, Chairman of Ocado Retail, said:**

"Despite the challenges we faced in the period, I am delighted to report that Ocado Retail is performing well, improving the customer experience even further and continuing to grow the business in a post-lockdown environment. I would like to pay tribute to the efforts of all my colleagues who worked so hard to get Ocado back to business so quickly following the fire in Erith. The success of these efforts demonstrated again the resilience of Ocado and its people.

With a market leading customer offer and technology, we are confident Ocado Retail will continue to grow market share as we help them to roll out even more capacity and we look forward to Christmas and delivering strong growth in the new financial year, with our long term outlook as compelling as ever".

Ocado Group, on behalf of the joint-venture, will be hosting an analyst conference call at 7.30am today. Please use participant number: +44 (0)330 336 9125 and confirmation code: 8805277. A replay facility will be available through an on demand link for 90 days following the announcement.

**Contacts**

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**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 four distribution centres using market leading software and technology. Shopping is then delivered directly 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 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.

#### **Notes**

1. *Retail revenue comprises revenues from Ocado.com and Ocado Zoom and excludes revenues from Fetch in current and prior periods*
2. *Average orders per week refers to results of Ocado.com.*
3. *Average basket size refers to results of Ocado.com.*
4. *Growth percentage calculated on a rounded basis.*
5. *The figures used in this announcement are unaudited.*
6. *A copy of this trading update is available on [www.ocadogroup.com](http://www.ocadogroup.com) and [www.corporate.marksandspencer.com](http://www.corporate.marksandspencer.com).*

#### **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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