Statement regarding Potential Financing
,
RNS Number : 7857H
Ocado Group PLC
12 June 2017

OCADO GROUP PLC

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Potential Financing Transaction and Financial Summary

Ocado Group plc ("Ocado") today launches an offering of senior secured notes that would be issued with customary high yield terms (the "Offering") and the amendment and extension of our Revolving Credit Facility (conditional on the completion of the Offering) (the "Financing Transactions"). To support this offering, Ocado announces its financial summary statement for the 22 weeks ended 30 April 2017 ("P5 2017").

An offering memorandum has been prepared in connection with the Offering, which includes further details on the Offering and Financing Transactions and is available to eligible persons on the corporate website of Ocado (www.ocadogroup.com) from today.

These Financing Transactions are intended to extend the maturity profile of Ocado's debt and diversify its sources of funding. The Board believes that with its continued strong trading, increased scale and profitability, Ocado can benefit from the historically low financing costs in the public debt markets to put in place longer maturity financing on attractive terms. The proceeds of the Offering will support the continued growth of our UK retail capacity, and further improvements to our proprietary platform.

Contacts

Duncan Tatton-Brown, Chief Financial Officer, on 01707 228 000
David Hardiman-Evans, Head of IR & Corporate Finance, on 01707 228 000
Michelle Clarke or Susanna Voyle, Tulchan Communications, on 020 7353 4200

Financial Calendar

Our financial reporting calendar for the remainder of the year will be a Half Year Results Statement on 5 July 2017, a Q3 Trading Statement on 19 September 2017 and a Q4 Trading Statement on 14 December 2017.

Financial and Statutory Highlights

It is important to note for comparability purposes that the P5 2017 trading period had 22 trading weeks, whereas the trading period ended 17 April 2016 had 20 weeks ("P5 2016"). This is because in November 2016, Ocado decided for financial years from 2017 onwards to move from a financial calendar comprising 13 four weekly accounting periods to a financial calendar of 12 accounting periods where each quarter comprises three periods of 5 weeks, 4 weeks and 4 weeks.

	As at or for the 22 weeks ended 30 April 2017	**As at or for the 20 weeks ended 17 April 2016**	**Change**
	(£ million)		**%**
Gross Sales (Retail)[1]	600.4	481.4	24.7
Revenue	600.5	481.7	24.7
Group EBITDA[2]	37.6	31.2	20.5
Profit before tax	6.7	4.6	45.7
Profit after tax	6.7	4.8	39.6
Cash and cash equivalents	41.9	61.5	
External Net Debt[3]	(98.7)	(5.8)	

(1) Gross Sales (Retail) is an APM showing reported revenue for the Group's retail operation, before excluding value added tax and relevant vouchers.

(2) Group EBITDA is an APM and is defined as the Profit (Loss) for the period before depreciation, amortisation, impairment, net finance expense, taxation and exceptional items.

(3) External Net Debt is an APM showing loans and other borrowings (both current and non-current), less finance leases payable to joint venture interests of the Group and cash and cash equivalents.

Key Performance Indicators

	For the 22 weeks ended 30 April 2017	**For the 20 weeks ended 17 April 2016**	**Change**
			%
Average orders per week[1]	258,000	222,000	16.2
Average order size (£)[2]	108.81	110.60	(1.6)
CFC efficiency (UPH)[3]	164	158	3.8
Average deliveries per van[4]	178	173	2.9
Average number of operational staff (full-time equivalent) [5]	10,324	9,131	13.1
Product waste (%)[6]	0.7	0.8	(0.1)

Source: The information in the table is derived and extracted from management accounts and internal financial and operating reporting systems and is unaudited.

(1) Average orders per week is a measure of the order growth in our retail businesses and is used to evaluate the level of orders generated. Average orders per week refers to Ocado.com orders and includes standalone orders for Fetch.co.uk, Sizzle.co.uk and Fabled.com for

periods where these destination sites were in operation. Average orders per week is calculated after cancelled orders are deducted.

(2) Average order size is a measure of the size of the average shopping basket and is used to monitor the size of average orders. Average order size refers to Ocado.com orders and excludes standalone orders and total sales for Fetch.co.uk, Sizzle.co.uk and Fabled.com for periods where these destination sites were in operation. Average order size is calculated after cancelled orders are deducted.

(3) CFC efficiency is measured using the units per labour hour ("UPH") efficiency measure and is a measure of the operational efficiency of mature CFCs. CFC efficiency (UPH) is measured as the number of units dispatched from the CFC per productive hour worked by operational personnel. A CFC is considered mature when it has been open for 12 months by the start of the half year reporting period.

(4) Average deliveries per van per week measures efficiency of our service delivery operation through van utilisation. It is calculated as the number of deliveries completed by all vans per week divided by the total number of vans in our fleet. Average deliveries per van per week does not include Morrisons deliveries and vans.

(5) Average number of operational staff measures the number of hourly paid staff who work in our fulfillment and service delivery areas to service the customers of Ocado.com, our General Merchandise business and Morrisons.com

(6) Product waste measures efficiency of our operations in terms of waste minimisation and allows the accuracy of buying forecasts to be monitored. Product waste is defined as products purged for having passed Ocado's "use by" life guarantee, even if still edible and saleable. Product waste (%) is calculated as the cost of product waste as a percentage of retail revenue.

Preliminary results for the 22 weeks ended 30 April 2017

Results of Operations

The financial information in this section relates to the results from our continuing operations.

Comparison of Financial Results for P5 2017 and P5 2016

The following table sets out our unaudited consolidated income statement for P5 2017 and P5 2016:

	For the 22 weeks ended 30 April 2017	**For the 20 weeks ended 17 April 2016**	**Change**
	(£ million)		**%**
Revenue	**600.5**	**481.7**	**24.7**
Cost of sales	(391.5)	(317.6)	23.3
Gross profit	**209.0**	**164.1**	**27.4**
Other income	20.8	18.4	13.0
Distribution costs	(175.0)	(136.9)	27.8
Administrative expenses	(45.1)	(38.0)	18.7
Operating profit before result from joint venture and exceptional items	**9.7**	**7.6**	**27.6**
Share of result from joint venture	0.6	0.6	-
Exceptional items	(0.1)	-	-
Operating profit	**10.2**	**8.2**	**24.4**

	For the 22 weeks ended 30 April 2017	For the 20 weeks ended 17 April 2016	Change
	(£ million)		%
Finance income	0.2	0.1	100.0
Finance costs	(3.7)	(3.7)	-
Profit before tax	**6.7**	**4.6**	**45.7**
Taxation	-	0.2	(100)
Profit for the period	**6.7**	**4.8**	**39.6**

Revenue and Gross Sales

Revenue increased from £481.7 million in P5 2016 to £600.5 million in P5 2017, an increase of £118.8 million, or 24.7%, reflecting contributions from our retail business, as well as from our arrangement with Morrisons. Gross Sales (Retail) increased from £481.4 million in P5 2016 to £600.4 million in P5 2017, an increase of 24.7% principally as a result of the additional two weeks in the reporting period, the increase in our active customer base from 546,000 in P5 2016 to 595,000 in P5 2017 (an increase of 49,000 or 9.0%) and an increase in the average number of orders per week from 222,000 in P5 2016 to 258,000 in P5 2017. The 16.2% increase in the average number of orders per week was due to an improved customer proposition, as well as a focus on increasing order frequency.

The average order size was £108.81 in P5 2017, a decrease of 1.6% compared to £110.60 in P5 2016. The change was due to a reduction in number of items per order due to increased customer order frequency and a reduced number of multi-buy promotions, partly offset by an increase in average price per item. Our arrangement with Morrisons contributed £45.7 million of revenue in P5 2017, reflecting growth of £9.4 million, or 25.9% from £36.3 million in P5 2016. The growth was mainly driven by increased revenue from recharges for services provided to support the expansion of the Morrisons.com business and increased fee income under the arrangement, which amounted to £8.5 million in P5 2017, an increase from £7.4 million in P5 2016 due to higher charges for management services due to increased volumes.

Gross profit

Cost of sales increased from £317.6 million in P5 2016 to £391.5 million in P5 2017, an increase of £73.9 million, or 23.3%. Gross profit increased from £164.1 million in P5 2016 to £209.0 million in P5 2017, an increase of £44.9 million, or 27.4%. Gross profit (Retail) was £163.3 million in P5 2017 compared to £127.8 million in P5 2016, an increase of 27.8% which is above the rate of revenue growth due to a reduced number of promotions and a return to limited selling price inflation in some product categories. Gross profit attributable to Morrisons recharges was £37.2 million in P5 2017 (P5 2016: £28.9 million) and for Morrisons fees it was £8.5 million in P5 2017 (P5 2016 £7.4 million).

Other income

Other income increased from £18.4 million in P5 2016 to £20.8 million in P5 2017, an increase of £2.4 million or 13.0%. Supplier income amounted to 2.9% of Revenue (Retail) in P5 2017 (P5 2016: 2.9%). Supplier income maintained its growth year-on-year as we engage our suppliers in media opportunities on our customer interfaces (including website, mobile apps and mobile websites). Other income also included £1.1 million (P5 2016:

£1.0 million) of rental income in P5 2017, relating to the lease of Dordon CFC and £3.6 million (P5 2016: £4.6 million) of income in P5 2017 arising from the leasing arrangements with Morrisons for MHE assets. This income, for the MHE assets, is generated from charging MHE lease costs to Morrisons and equates to the additional depreciation and lease interest costs that we incur for the share of the MHE assets.

Distribution costs

Distribution costs increased from £136.9 million in P5 2016 to £175.0 million in P5 2017, an increase of £38.1 million, or 27.8%. Excluding costs recharged to Morrisons and depreciation and amortisation, underlying distribution costs increased by 29.3% to P5 2017.

The following table sets out our distribution costs for P5 2016 and P5 2017:

	For the 22 weeks ended 30 April 2017	For the 20 weeks ended 17 April 2016	Change
	(£ million)		%
Reported distribution costs	**175.0**	**136.9**	**27.8**
Costs recharged to Morrisons	(35.6)	(27.8)	(28.1)
Depreciation and amortisation	(19.0)	(16.0)	(18.8)
Underlying distribution costs	**120.4**	**93.1**	**29.3**

The increase in underlying distribution costs was principally due to the increased number of employees in the CFC and delivery operations and increased vehicle operating costs as a result of the increased volume of orders. These were offset by the impact of operational efficiencies achieved such as continued development of our route optimisation.

Depreciation of property, plant and equipment increased from £16.0 million in P5 2016 to £19.0 million in P5 2017, an increase of £3.0 million, or 18.8%. The increase was principally due the commencement of operations at Andover and increased investments in vehicles.

Overall mature CFC UPH (for Hatfield CFC and Dordon CFC combined) was 164 in P5 2017 compared with 158 in P5 2016. Deliveries per van per week have improved by 2.9% from 173 in P5 2016 to 178 in P5 2017 as customer density improved and we increased Sunday delivery slots.

Administrative expenses

Administrative expenses increased from £38.0 million in P5 2016 to £45.1 million in P5 2017, an increase of £7.1 million, or 18.7%. Excluding costs recharged to Morrisons and depreciation and amortisation, underlying administrative expenses increased by 17.8% in P5 2017 compared to P5 2016.

The following table sets out our administrative expenses for P5 2016 and P5 2017:

	For the 22 weeks ended 30 April 2017	For the 20 weeks ended 17 April 2016	Change
	(£ million)		%
Reported administrative expenses	**45.1**	**38.0**	18.7
Costs recharged to Morrisons	(1.7)	(1.1)	54.5
Depreciation and amortisation	(8.3)	(7.1)	16.9
Underlying administrative expenses	**35.1**	**29.8**	17.8

The increase in underlying administrative expenses was principally due to continued investment in our strategic initiatives to support future growth, including a new head office. The rate of growth compared to the prior period is below sales growth partly due to the timing of specific projects during the year.

Exceptional Items

Exceptional items increased from nil in P5 2016 to £0.1 million in P5 2017.

Net finance costs

Net finance costs amounted to £3.5 million in P5 2017 and £3.6 million P5 2016, principally reflecting obligations under finance leases. Finance income amounted to £0.1 million in P5 2016 and £0.2 million in P5 2017, each arising from interest on cash balances.

Capital Expenditure

The table below sets out our capital expenditures of the Group for P5 2017 and P5 2016.

	For the 22 weeks ended 30 April 2017	For the 20 weeks ended 17 April 2016
	(£ million)	
Mature CFCs	0.5	0.7
New CFCs	26.3	13.2
Delivery	10.0	12.6
Technology	16.6	11.0
Fulfilment development	6.3	3.5
Other	2.9	0.6
Total capital expenditure(1)(2) (excluding share of MHE JVCo)	**62.6**	**41.6**
Total capital expenditure(3) (including share of MHE JVCo)	**63.2**	**42.7**

(1) Capital expenditure includes investments in tangible and intangible assets.

(2) Capital expenditure excludes assets leased from MHE JVCo under finance lease arrangements.

(3) Capital expenditure includes Ocado share of the MHE JVCo of £0.6 million in P5 2017, £1.1 million in P5 2016 .

Total investment in Mature CFCs was £0.5 million in P5 2017, excluding capital expenditure relating to MHE JVCo of £0.6 million, which related to a number of small projects to improve the capacity and resiliency of these sites. We incurred £26.3 million of costs in P5 2017 for the build and installation of our proprietary infrastructure at our new CFCs. Andover commenced operations at the end of 2016 and has steadily increased volumes during 2017, requiring the purchase of additional robots. The fitout of the next CFC located in Erith, South East London continued according to plan and this site is expected to open in 2018.

Delivery capital expenditure amounted to £10.0 million in P5 2017 compared to £12.6 million in P5 2016. This included investment in new trailers and vans of £6.1 million (P5 2016: £9.3 million) to support our business growth and replace vehicles at the end of their useful lives. These assets are typically on five year financing contracts.

We continued to develop our own proprietary software and incurred £16.6 million (P5 2016: £11.0 million) of internal development costs in P5 2017 which were capitalised as intangible assets in the period. The main areas of investment were the re-platforming of our technology and migration of most of our systems to run in the public or private cloud, improvements in the efficiency of our routing systems, enhancements to our customer proposition, developing a storepick solution for implementation by Morrisons and support for the ramp-up of Andover.

Fulfilment development capital expenditure of £6.3 million (P5 2016: £3.5 million) was incurred to further develop our next generation fulfilment solution which is being used in our new CFCs.

Other capital expenditure amounted to £2.9 million in P5 2017, which included £1.6 million in our general merchandise business to support growth in capacity in our existing general merchandise facility.

We expect capital expenditure in 2017 to be approximately £175 million which mainly comprises the continuing investment in our infrastructure and technology solutions, roll out of our new CFCs and additional investment in new vehicles to support business growth and the replacement of vehicles coming to the end of their five year financing contracts.

Cash Flow Analysis

The following table sets out our selected cash flow information for P5 2017 and P5 2016:

	For the 22 weeks ended 30 April 2017	**For the 20 weeks ended 17 April 2016**
	(£ million)	
Net cash inflow from operating activities	37.5	49.2
Net cash used in investing activities	(75.1)	(37.7)
Net cash from/(used in) financing activities	28.6	4.2
Net (decrease)/increase in cash and cash equivalents	**(9.0)**	**15.7**

Operating activities

	For the 22 weeks ended 30 April 2017	**For the 20 weeks ended 17 April 2016**
	(£ million)	
Profit before tax	6.7	4.6

	For the 22 weeks ended 30 April 2017	For the 20 weeks ended 17 April 2016
	(£ million)	
Adjustments for:		
... Depreciation, amortisation and impairment losses	27.4	23.0
... Movement in provisions	(1.0)	0.6
... Share of profit in joint venture	(0.6)	(0.6)
... Share-based payments charge	2.7	3.0
... Net finance costs	3.5	3.7
Changes in working capital:		
... Movement in inventories	5.6	1.0
... Movement in trade and other receivables	(13.3)	(7.9)
... Movement in trade and other payables	10.2	25.5
Cash generated from operations	**41.2**	**52.9**
Interest paid	(3.7)	(3.7)
Net cash inflow from operating activities	**37.5**	**49.2**

Net cash flow from operating activities was an inflow of £37.5 million in P5 2017 compared to an inflow of £49.2 million in P5 2016. The reduction in cash inflow was primarily due to a reduction in changes to working capital, which comprise movements in inventories, trade and other receivables, and trade and other payables, and is principally due to the impact of the change in the comparable period end dates. Trade and other receivables comprise mainly monies due from suppliers in relation to media and other commercial income made up of media and supplier rebate income receivables. Trade receivables in respect of consumer sales are typically low due to the nature of our business. Trade and other payables includes balances due to suppliers on products sold by us, balances due to non-trading creditors (such as fuel, insurance and marketing costs) and other accruals, including CFC costs. The negative working capital movement included a £10.2 million increase in trade payables principally due to increased trade accruals and trade payables attributable to inventory. The increase in trade and other receivables of £13.3 million in P5 2017 principally reflected an increase in receivables from Morrisons and MHE JVCo.

Investing activities

	For the 22 weeks ended 30 April 2017	For the 20 weeks ended 17 April 2016
	(£ million)	
Purchase of property, plant and equipment.	(53.7)	(26.3)
Purchase of intangible assets	(21.4)	(11.4)
Dividend received from joint venture	-	-
Interest received	-	-
Net cash flows from investing activities	**(75.1)**	**(37.7)**

Net cash outflows from investing activities increased from £37.7 million in P5 2016 to £75.1 million in P5 2017, principally due to increased capital expenditure on property, plant and equipment and increased expenditure on intangible assets.

The difference between the reported capital expenditure and cash used in investing activities set out in the table above is due to the accounting treatment of assets being financed by financing leases and the timing of the payment of invoices received but unpaid at the end of the financial year. Net cash used for investing activities is a cash flow measure and excludes any assets which are lease financed in the relevant financial year or invoices related to capital expenditure which are unpaid at the end of the financial year.

Financing activities

	For the 22 weeks ended 30 April 2017	For the 20 weeks ended 17 April 2016
	(£ million)	
Proceeds from the issue of ordinary share capital net of transaction costs	0.4	0.5
Proceeds from borrowings	57.5	10.0
Repayment of borrowings	(22.5)	-
Repayment of obligations under finance leases	(6.4)	(5.8)
Payment of financing fees	(0.4)	(0.5)
Settlement of cash flow hedges	-	-
Net cash from/(used in) financing activities	**28.6**	**4.2**

Net cash from financing activities moved from an inflow of £4.2 million in P5 2016 to an inflow of £28.6 million in P5 2017. The movement is principally a result of an increase in new borrowings, including a net drawdown of £35.0 million on our Revolving Credit Facility in the period, offset by the repayment of obligations under other borrowings.

Revolving Credit Facility

On 1 July 2014, we entered into a senior revolving credit facility, amended and restated on 29 June 2015, to provide a total capacity of £210 million with a termination date of 1 July 2019.

As at 30 April 2017 drawdowns on the facility totalled £87.5 million. We expect that all amounts outstanding under this facility will be repaid in full using the proceeds of the Offering. This facility has been amended and restated in connection with the Financing Transactions. A summary of the amended terms we have agreed with our Revolving Credit Facility lenders is included in the Offering Memorandum as are the principal terms of an Intercreditor Agreement that certain Ocado companies and certain of their creditors would be party to. The amended terms of the Revolving Credit Facility and the Intercreditor Agreement will only come into effect if the Offering is completed.

Change of External Auditors

A resolution to approve the appointment of Deloitte LLP as U.K. statutory auditor was put forth by the Board and approved by shareholder vote at the Company's annual general meeting on 3 May 2017. Deloitte LLP was engaged as principal accountants from 3 May 2017.

Important Information

NOT FOR PUBLICATION OR DISTRIBUTION IN OR INTO THE UNITED STATES, CANADA, JAPAN OR AUSTRALIA.

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.

These materials are not an offer of securities for sale in the United States. Any securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. There is no intention to register any securities referred to herein in the United States or to make a public offering of the securities in the United States. Any securities sold in the United States will be sold only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) pursuant to Rule 144A. Any decision to invest in the notes offered in the Offering must be made solely based on the information in the Offering Memorandum.

This announcement is for informational purposes only and is directed only at persons who are: (a) persons in member states of the European Economic Area (the "EEA") who are qualified investors (as defined in EU Prospectus Directive 2003/71/EC (as amended, including by EU Directive 2010/73/EU to the extent implemented in the relevant member state)); (b) persons in the United Kingdom who are qualified investors and who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"); or (ii) persons falling within Article 49(2) (a) to (d) of the Order ("high net worth companies, unincorporated associations, etc."); or (iii) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any senior secured notes may otherwise be lawfully communicated or cause to be communicated (all such persons in (a) and (b) together being referred to as "relevant persons"). This announcement must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this announcement relates is available only to relevant persons and will be engaged in only with relevant persons.

In connection with the offer of the above securities, the Stabilising Managers may over-allot the securities or effect transactions with a view to supporting the market price of the securities at a level higher than that which might otherwise prevail. However, there can be no assurance that the Stabilising Managers will take any stabilisation action, and any stabilisation action, if begun, may be ended at any time. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.

Unaudited Consolidated Financial Statements for P5 2017/P5 2016 and the Notes to the Unaudited Consolidated Financial Statements

Consolidated income statement
for the 22 weeks ended 30 April 2017

	Notes	22 weeks ended 30 April 2017 £m	20 weeks ended 17 April 2016 £m	52 weeks ended 27 November 2016 £m

		(unaudited)	(unaudited)	(audited)
Revenue	5	600.5	481.7	1,271.0
Cost of sales		(391.5)	(317.6)	(835.7)
Gross profit		209.0	164.1	435.3
Other income		20.8	18.4	52.9
Distribution costs		(175.0)	(136.9)	(365.7)
Administrative expenses		(45.1)	(38.0)	(100.6)
Operating profit before share of result from joint venture		9.7	7.6	21.9
Share of result from joint venture		0.6	0.6	2.1
Exceptional items		(0.1)	-	(2.4)
Operating profit		10.2	8.2	21.6
Finance income	7	0.2	0.1	0.2
Finance costs	7	(3.7)	(3.7)	(9.7)
Profit before tax		6.7	4.6	12.1
Taxation		-	0.2	(0.1)
Profit for the period		6.7	4.8	12.0

Earnings per share		Pence	Pence	Pence
Basic	10	1.13	0.81	2.02
Diluted	10	1.10	0.78	1.96

Consolidated statement of comprehensive income for the 22 weeks ended 30 April 2017

	22 weeks ended 30 April 2017	20 weeks ended 17 April 2016	52 weeks ended 27 November 2016
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Profit for the period	6.7	4.8	12.0
Other comprehensive (expense) / income: Items that may be subsequently reclassified to profit or loss Cash flow hedges			
- Gains arising on forward contracts	-	-	0.1
- Gains arising on commodity swaps	-	0.3	0.8
- Losses arising on commodity swaps	(0.4)	-	(0.2)
Translation of foreign subsidiary	0.1	0.1	0.3
Other comprehensive (expense) / income for the period, net of tax	(0.3)	0.4	1.0
Total comprehensive income for the period	6.4	5.2	13.0

Consolidated balance sheet as at 30 April 2017

		30 April 2017	17 April 2016	27 November 2016
	Notes	£m	£m	£m
		(unaudited)	(unaudited)	(audited)
Non-current assets				

Intangible assets		93.4	58.7	79.7
Property, plant and equipment		418.2	343.6	397.3
Deferred tax asset		14.3	10.1	14.2
Financial assets		0.4	1.4	2.6
Investment in Joint Venture		57.7	62.8	57.1
		584.0	476.6	550.9
Current assets				
Inventories		33.5	28.9	39.1
Trade and other receivables		73.8	69.6	59.4
Derivative financial instruments		-	-	0.3
Cash and cash equivalents		41.9	61.5	50.9
		149.2	160.0	149.7
Total assets		733.2	636.6	700.6
Current liabilities				
Trade and other payables		(196.9)	(184.7)	(205.6)
Borrowings	9	(86.5)	(11.4)	(52.9)
Obligations under finance leases	9	(35.8)	(32.2)	(29.8)
Derivative financial instruments		(0.5)	(0.5)	(0.2)
Provisions		(0.3)	(0.7)	(2.4)
		(320.0)	(229.5)	(290.9)
Net current liabilities		(170.8)	(69.5)	(141.2)
Non-current liabilities				
Borrowings	9	(5.6)	(6.9)	(6.1)
Obligations under finance leases	9	(120.8)	(138.5)	(127.0)
Provisions		(8.5)	(8.9)	(7.3)
Deferred tax liability		(6.8)	(2.6)	(6.9)
		(141.7)	(156.9)	(147.3)
Net assets		271.5	250.2	262.4
Equity				
Share capital		12.6	12.6	12.6
Share premium		257.2	259.1	256.9
Treasury shares reserve		(48.0)	(51.0)	(48.0)
Reverse acquisition reserve		(116.2)	(116.2)	(116.2)
Other reserves		(0.1)	(0.4)	0.2
Retained earnings		166.0	146.1	156.9
Total equity		271.5	250 .2	262.4

Consolidated statement of cash flows for the 22 weeks ended 30 April 2017

	Notes	22 weeks ended 30 April 2017 £m	20 weeks ended 17 April 2016 £m	52 weeks ended 27 November 2016 £m
		(unaudited)	(unaudited)	(audited)
Cash flow from operating activities				
Profit before tax		6.7	4.6	12.1
Adjustments for:				
- Depreciation, amortisation and impairment losses		27.4	23.0	61.0
- Movement in provisions		(1.0)	0.6	0.6
- Share of profit in joint venture		(0.6)	(0.6)	(2.1)

- Share-based payments charge		2.7	3.0	6.4
- Net finance costs	7	3.5	3.7	9.5
Changes in working capital:				
- Movement in inventories		5.6	1.0	(9.2)
- Movement in trade and other receivables		(13.3)	(7.9)	2.5
- Movement in trade and other payables		10.2	25.5	25.2
Cash generated from operations		41.2	52.9	106.0
Interest paid		(3.7)	(3.7)	(9.1)
Net cash flows from operating activities		37.5	49.2	96.9
Cash flows from investing activities				
Purchase of property, plant and equipment		(53.7)	(26.3)	(85.3)
Purchase of intangible assets		(21.4)	(11.4)	(38.6)
Dividend received from joint venture		-	-	8.4
Interest received		-	-	0.2
Net cash flows used in investing activities		(75.1)	(37.7)	(115.3)
Cash flows from financing activities				
Proceeds from the issue of ordinary share capital net of transactions costs		0.4	0.5	1.1
Proceeds from borrowings		57.5	10.0	61.3
Repayments of borrowings		(22.5)	-	(11.5)
Repayments of obligations under finance leases		(6.4)	(5.8)	(26.4)
Payment of financing fees		(0.4)	(0.5)	(1.2)
Settlement of cash flow hedges		-	-	0.2
Net cash flows from / (used in) financing activities		28.6	4.2	(23.5)
Net (decrease) / increase in cash and cash equivalents		(9.0)	15.7	5.1
Cash and cash equivalents at the beginning of the period		50.9	45.8	45.8
Cash and cash equivalents at the end of the period		41.9	61.5	50.9

Consolidated statement of changes in equity for the 22 weeks ended 30 April 2017

	Share capital £m	Share premium £m	Treasury shares reserve £m	Reverse acquisition reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 27 November 2016 (audited)	12.6	256.9	(48.0)	(116.2)	0.2	156.9	262.4
Profit for the period	-	-	-	-	-	6.7	6.7

Other comprehensive income:							
Cash flow hedges							
- Losses arising on commodity swaps	-	-	-	-	(0.4)	-	(0.4)
Translation of foreign subsidiary	-	-	-	-	0.1	-	0.1
Total comprehensive income for the period	-	-	-	-	(0.3)	6.7	6.4
Transactions with owners:							
- Issue of ordinary shares	-	0.3	-	-	-	-	0.3
- Share-based payments charge	-	-	-	-	-	2.4	2.4
Total transactions with owners	-	0.3	-	-	-	2.4	2.7
Balance at 30 April 2017 (unaudited)	12.6	257.2	(48.0)	(116.2)	(0.1)	166.0	271.5

	Share capital £m	Share premium £m	Treasury shares reserve £m	Reverse acquisition reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 29 November 2015 (audited)	12.6	258.7	(50.9)	(116.2)	(0.8)	138.5	241.9
Profit for the period	-	-	-	-	-	4.8	4.8
Other comprehensive income:							
Cash flow hedges							
- Gains arising on hedging contracts	-	-	-	-	0.3	-	0.3
Translation of foreign subsidiary	-	-	-	-	0.1	-	0.1
Total comprehensive income for the period	-	-	-	-	0.4	4.8	5.2
Transactions with owners:							
- Issue of ordinary shares	-	0.4	-	-	-	-	0.4
- Movement in treasury shares	-	-	(0.1)	-	-	-	(0.1)
- Share-based payments charge	-	-	-	-	-	2.8	2.8
Total transactions with owners	-	0.4	-	-	-	2.8	3.1
Balance at 17 April 2016 (unaudited)	12.6	259.1	(51.0)	(116.2)	(0.4)	146.1	250.2

Notes to the condensed consolidated interim financial information

1 General information

Ocado Group plc (hereafter "the Company") is incorporated and domiciled in England and Wales (registration number

07098618). The address of its registered office is Buildings One & Two, Trident Place, Mosquito Way, Hatfield, Hertfordshire, AL10 9UL. The condensed consolidated financial statements (hereafter "financial information") comprises the results of the Company and its subsidiaries (hereafter "the Group").

The financial period represents the 22 weeks ended 30 April 2017 (prior period 20 weeks ended 17 April 2016; prior financial year 52 weeks ended 27 November 2016).

2 Basis of preparation

The financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting'.

The financial information does not amount to full statutory accounts within the meaning of section 434 of the Companies Act
2006 and does not include all of the information and disclosures required for full annual financial statements. It should be read in conjunction with the Annual Report and Accounts of Ocado Group plc for the 52 weeks ended 27 November 2016 which were prepared in accordance with IFRS as adopted by the European Union and were filed with the Registrar of Companies. This report is available either on request from the Company's registered office or to download from www.ocadogroup.com. The auditor's report on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The financial information is presented in sterling, rounded to the nearest hundred thousand unless otherwise stated. It has been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value.

The directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

3 Accounting policies

The accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its consolidated financial statements for the 52 weeks ended 27 November 2016. During the current financial period, the Group has not been required to adopt any new accounting standards.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the Annual Report and Accounts for the 52 weeks ended 27 November 2016.

4 Segmental reporting

The Group's principal activity is grocery retailing and the development of Intellectual Property ("IP") and technology used for the online retailing, logistics and distribution of grocery and consumer goods for our UK business and other partners. The Group is not reliant on any major customer for 10% or more of its revenue.

In accordance with IFRS 8 "Operating Segments", an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision-maker and for which discrete information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, as required by IFRS 8. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors.

The principal activities of the Group are currently managed as one segment. Consequently, all activities relate to this segment.

The chief operating decision-maker's main indicator of performance of the segment is Group EBITDA, which is reconciled to operating profit in note 5.

5 Alternative performance measures

We assess the performance of the Group using a variety of alternative performance measures, which are not defined under IFRS and are therefore termed 'non-GAAP' measures. These measures provide additional useful information on the underlying trends, performance and position of the Group. The non-GAAP measures we use are as follows:

Gross Sales

Gross Sales is a measure of reported revenue before excluding value added tax and relevant vouchers and offers. Gross Sales is a common measure used by investors and analysts to evaluate the operating financial performance of companies within the retail sector.

Exceptional Items

The Group's condensed consolidated income statement separately identifies trading results before exceptional Items. The Directors believe that presentation of the Group's results in this way is relevant to an understanding of the Group's financial performance. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and assists in providing a meaningful analysis of the trading results of the Group. This also facilitates comparison with prior periods to assess trends in financial performance more readily. The Group applies judgement in identifying significant non-recurring items of income and expense that are recognised as exceptional to help provide an indication of the Group's underlying business. In determining whether an event or transaction is exceptional in nature, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence

Group EBITDA

In addition to measuring financial performance of the Group based on operating profit, we also measure performance based on Group EBITDA. Group EBITDA is defined as the Group earnings before depreciation, amortisation, impairment, net finance expense, taxation and exceptional items. Group EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies. We consider Group EBITDA to be a useful measure of our operating performance because it approximates the underlying operating cash flow by eliminating depreciation and amortisation. Group EBITDA is not direct measures of our liquidity, which is shown by our cash flow statement, and needs to be considered in the context of our financial commitments. Below is a reconciliation from Operating profit to Group EBITDA:

	22 weeks ended 30 April 2017 £m	20 weeks ended 17 April 2016 £m	52 weeks ended 27 November 2016 £m
	(unaudited)	(unaudited)	(audited)
Operating profit	10.2	8.2	21.6
Adjustments for:			
Depreciation of property, plant and equipment	21.5	18.2	47.0
Amortisation expense	5.8	4.8	12.6
Impairment of property, plant and equipment	-	-	0.3
Impairment of intangibles	-	-	0.4
Exceptional items	0.1	-	2.4
Group EBITDA	37.6	31.2	84.3

Net debt

Net debt consists of loans, finance lease obligations and other borrowings (both current and non-current), less cash and cash equivalents. Loans and other borrowings are measured as the net proceeds raised, adjusted to amortise any discount over the term of the debt. Net debt is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess the combined impact of the Group's cash position and its indebtedness. The use of the term 'net debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure. Net debt is considered to be an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate of loans and other borrowings (current and non-current) and cash and cash equivalents.

6 Gross sales

	22 weeks ended 30 April 2017 £m	20 weeks ended 17 April 2016 £m	52 weeks ended 27 November 2016 £m
	(unaudited)	(unaudited)	(audited)
Revenue	600.5	481.7	1,271.0
VAT	46.4	36.5	98.9
Marketing vouchers	8.3	6.7	16.8
Gross sales	655.2	524.9	1,386.7

7 Finance income and finance costs

	22 weeks ended 30 April 2017 £m	20 weeks ended 17 April 2016 £m	52 weeks ended 27 November 2016 £m
	(unaudited)	(unaudited)	(audited)
Interest on cash balances	0.2	0.1	0.2
Finance income	0.2	0.1	0.2
Borrowing costs			
- Obligations under finance leases	(3.5)	(3.5)	(9.4)
- Borrowings	(0.2)	(0.2)	(0.3)
Finance costs	(3.7)	(3.7)	(9.7)
Net finance costs	(3.7)	(3.7)	(9.5)

8 Capital expenditure and commitments

During the period the Group acquired property, plant and equipment of £42.7 million (FYE 2016: £118.0 million, P5 2016: £34.6 million). During the period, the Group acquired intangible assets of £2.5 million (FYE 2016: £4.9 million, P5 2016: £1.2 million) and internal development costs capitalised were £16.7 million (FYE 2016: £34.8 million, P5 2016: £10.9 million).

9 Borrowings and obligations under finance leases

	30 April 2017 £m	17 April 2016 £m	27 November 2016 £m
	(unaudited)	(unaudited)	(audited)
Current liabilities			
Borrowings	**86.5**	**11.4**	52.9
Obligations under finance leases	**35.8**	**32.2**	29.8
	122.3	**43.6**	82.7
Non-current liabilities			
Borrowings	**5.6**	**6.9**	6.1
Obligations under finance leases	**120.8**	**138.5**	127.0

	126.4	**145.4**	133.1
Total Group borrowings and finance leases	**248.7**	**189.0**	215.8

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares held pursuant to the Group's Joint Share Ownership Scheme which are accounted for as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive shares. The Company has three categories of potentially dilutive shares, namely share options, shares held pursuant to the Group's Joint Share Ownership Scheme and shares under the Group's staff incentive plans.

Basic and diluted earnings per share have been calculated as follows:

	22 weeks ended 30 April 2017	20 weeks ended 17 April 2016	52 weeks ended 27 November 2016
	million	million	million
	(unaudited)	(unaudited)	(audited)
Number of shares			
Issued shares at the beginning of the period	598.8	586.1	590.6
Weighted average effect of share options exercised in the period	0.2	0.4	2.5
Weighted average effect of treasury shares disposed of in the period	-	-	1.3
Weighted average number of shares at the end of the period for the purposes of basic earnings per share	599.0	586.5	594.4
Potentially dilutive share options and shares	15.1	18.4	19.1
Weighted average numbers of diluted ordinary shares	614.1	604.9	613.5
Earnings	£m	£m	£m
Profit for the period	6.7	4.8	12.0
	pence	pence	pence
Basic earnings per share	1.13	0.80	2.02
Diluted earnings per share	1.10	0.78	1.96

11 Related party transactions

Key management personnel

Only the Executive and Non-Executive Directors are deemed to be key management personnel. It is the Board which has responsibility for planning, directing and controlling the activities of the Group. Save for key management personnel remuneration, related party transactions with key management personnel made during the period related to the purchase of professional services and amounted to £1,800 (P5 2016: £750). All transactions with Directors are on an arm's length basis and no period end balances have arisen as a result of these transactions.

At the end of the period, key management personnel did not owe the Group any amounts (P5 2016: £nil). There were no other material transactions or balances between the Group and its key management personnel or members of their close family.

Investment

The Group holds a 25% interest in Paneltex Limited whose registered office is at Paneltex House, Somerden Road, Hull, HU9

5PE. The Group's interest in Paneltex Limited has not been treated as an associated undertaking as Ocado does not have significant influence over Paneltex Limited.

The following direct transactions were carried out with Paneltex Limited:

	22 weeks ended 30 April 2017 £m	20 weeks ended 17 April 2016 £m	52 weeks ended 27 November 2016 £m
	(unaudited)	(unaudited)	(audited)
Purchase of goods			
- Plant and machinery	-	-	-
- Consumables	0.2	0.2	0.5
Sale of goods	-	-	0.1
	0.2	0.2	0.6

Indirect transactions, consisting of the purchase of plant and machinery through some of the Group's finance lease counterparties, were carried out with Paneltex Limited to the value of £2.7 million (P5 2016: £3.4 million).

At period end, the Group owed £67,000 to Paneltex and is owed £5,000 from Paneltex (P5 2016: the Group owed £45,000 to Paneltex and was owed £6,000 from Paneltex).

Joint Venture

The following transactions were carried out with MHE JVCo, a joint venture company in which the Group holds a 50% interest:

	22 weeks ended 30 April 2017 £m	20 weeks ended 17 April 2016 £m	52 weeks ended 27 November 2016 £m
Sale and Leaseback Transaction			
Capital contributions made to MHE JVCo	-	-	1.1
Dividend received from MHE JVCo	-	-	8.4
Reimbursement of supplier invoices paid on behalf of MHE JVCo	0.1	3.6	4.9
Lease of assets from MHE JVCo	-	-	3.1
Capital element of finance lease instalments paid to MHE JVCo	0.6	-	13.8
Interest element of finance lease instalments accrued or paid to MHE JVCo	2.2	2.1	5.8

Included within trade and other receivables is a balance of £7.1 million owed by MHE JVCo (P5 2016: £5.1 million). Included within trade and other payables is a balance of £7.1 million owed to MHE JVCo (P5 2016: £4.8 million). Included within obligations under finance leases is a balance of £108.1 million owed to MHE JVCo (P5 2016: £121.6 million).

No other transactions that require disclosure under IAS 24 "Related Party Transactions" have occurred during the current financial period.

12 Analysis of net debt

(a) Net debt

	30 April 2017 £m	17 April 2016 £m	27 November 2016 £m
	(unaudited)	(unaudited)	(audited)
Current assets			

Cash and cash equivalents	41.9	61.5	50.9
	41.9	61.5	50.9
Current liabilities			
Borrowings	(86.5)	(11.4)	(52.9)
Obligations under finance leases	(35.8)	(32.2)	(29.8)
	(122.3)	(43.6)	(82.7)
Non-current liabilities			
Borrowings	(5.6)	(6.9)	(6.1)
Obligations under finance leases	(120.8)	(138.5)	(127.0)
	(126.4)	(145.4)	(133.1)
Net debt	(206.8)	(127.5)	(164.9)

Net debt is calculated as total debt (obligations under finance leases and borrowings as shown in the condensed consolidated balance sheet), less cash and cash equivalents.

(b) Reconciliation of net cash flow to movement in net debt

	22 weeks ended 30 April 2017 £m	20 weeks ended 17 April 2016 £m	52 weeks ended 27 November 2016 £m
	(unaudited)	(unaudited)	(audited)
Net (increase) / decrease in cash and cash equivalents	(9.0)	15.7	5.1
Net (increase) in debt and lease financing	(26.8)	(3.3)	(23.4)
Non-cash movements:			
- Assets acquired under finance lease	(6.1)	(12.9)	(19.6)
Movement in net debt in the period	(41.9)	(0.5)	(37.9)
Opening net debt	(164.9)	(127.0)	(127.0)
Closing net debt	(206.8)	(127.5)	(164.9)

13 Financial instruments

The Group has commodity swap contracts to manage its exposure to fuel prices. The commodity swap is classed in level two of the financial instruments hierarchy. Level two fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

The directors consider that the carrying value amounts of financial asset and financials liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values.

14 Post balance sheet events

There were no events after the balance sheet date which require adjustment to, or disclosure in, the financial information.

Announcement Information

This announcement is made in accordance with the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules.

The person responsible for arranging the release of this announcement:

Neill Abrams
Company Secretary and Group General Counsel
Ocado Group plc
Email: company.secretary@ocado.com

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