

J Sainsbury plc

# ShareSoc Presentation

22 May 2023

James Collins – Director  
of Investor Relations and  
Financial Planning



# Group Overview

As at 4 March 2023

**Sainsbury's**  
Helping everyone eat better

**Argos**

**nectar**

**Tu**

**595**

Supermarkets

**c.1,130**

Argos points  
of presence

**c.18m**

Members

**£1bn**

Clothing sales

**814**

Locals

**11m+**

Digital  
Collectors

habitat 

**c.£3bn**

Online sales

**>70%**

Sales start online

**3rd**

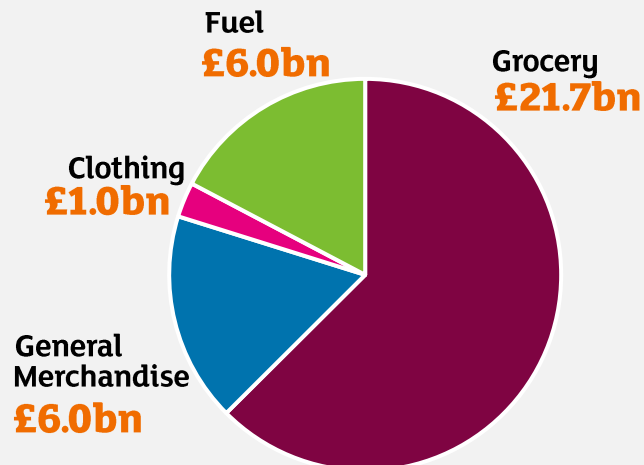
Most visited  
Retail website  
in the UK

**Sainsbury's  
Bank**

FY22/23 Performance

Total Retail Sales (inc. fuel)

**£34.6bn**



# We navigated 22/23 by making deliberate, balanced choices

## Customers



- Invested in keeping prices low
- Consistently inflated behind competitors
- Most competitive on value in years

## Colleagues



- Raised colleague pay three times
- First major supermarket to pay Living Wage across the country
- Free food and improved colleague discount

## Suppliers



- Continued working closely with suppliers and farmers
- £66 million additional support to British farmers

## Shareholders



- Fundamentally improved business
- Results at the top end of expectations
- Strong cash flow generation supporting higher dividend payout ratio

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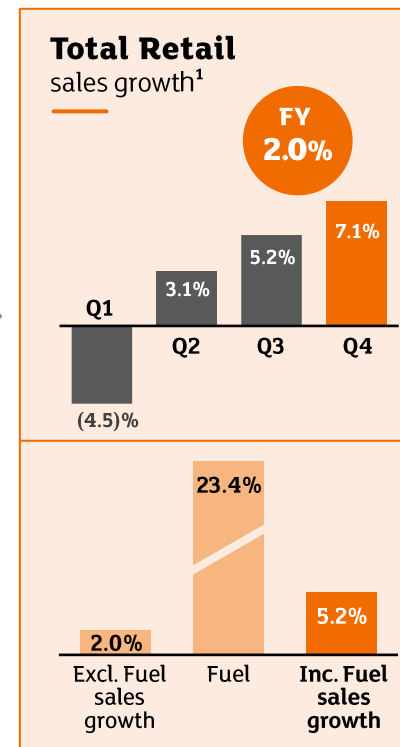
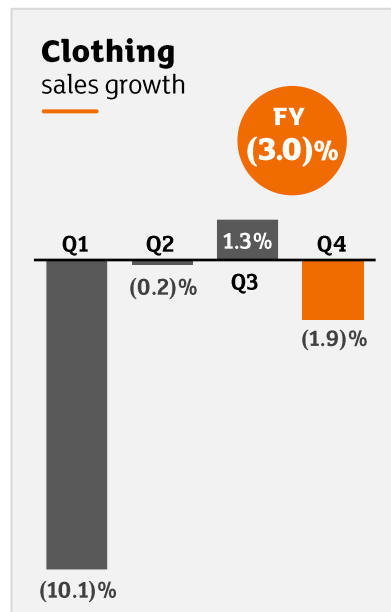
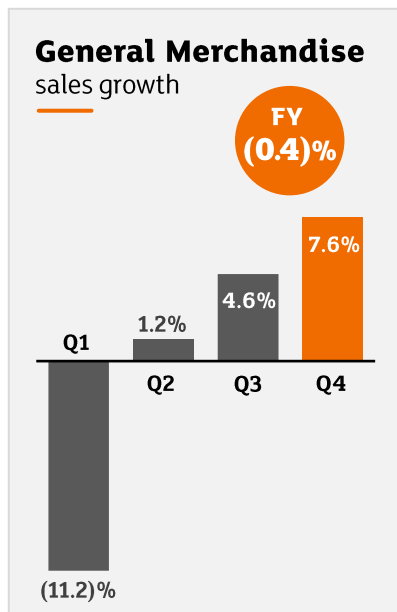
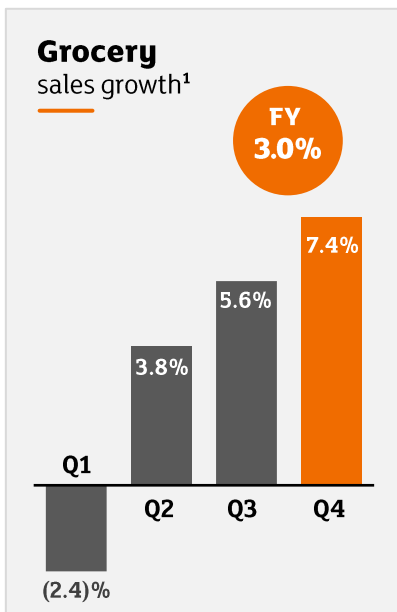
# Financial performance

FY22/23

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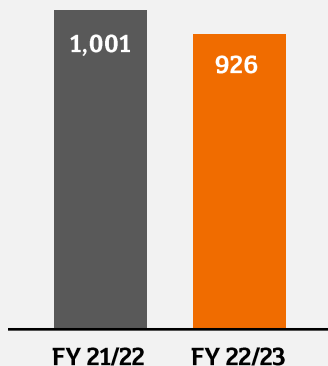
# Retail sales growth by category



# Group performance overview

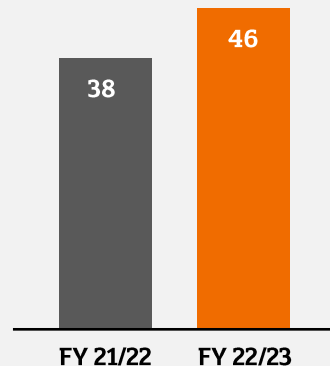
## Retail underlying operating profit

down 7% YoY



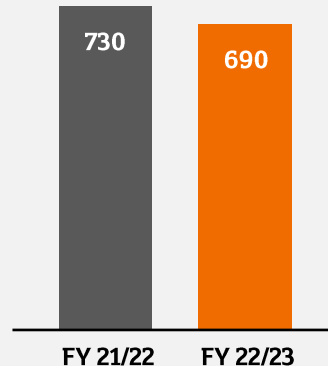
## Financial Services operating profit<sup>1</sup>

up 21% YoY



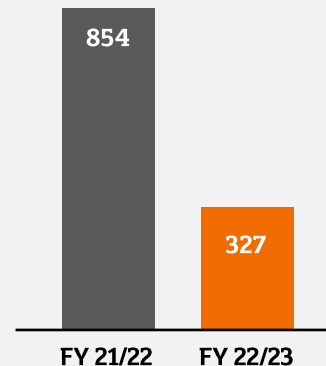
## Underlying profit before tax

down 5% YoY



## Statutory profit before tax

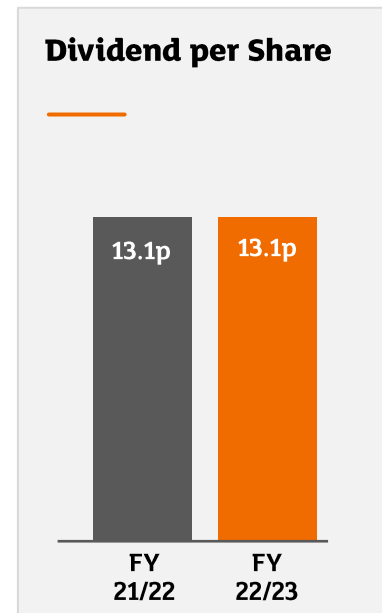
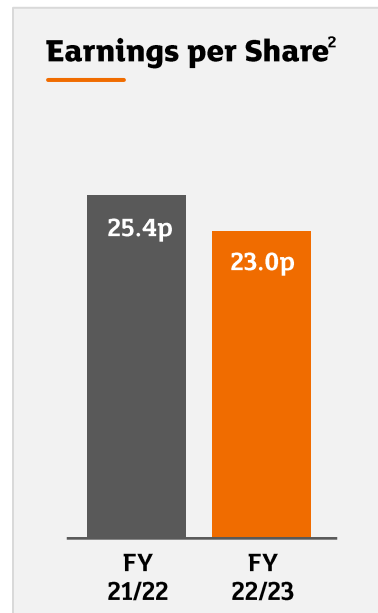
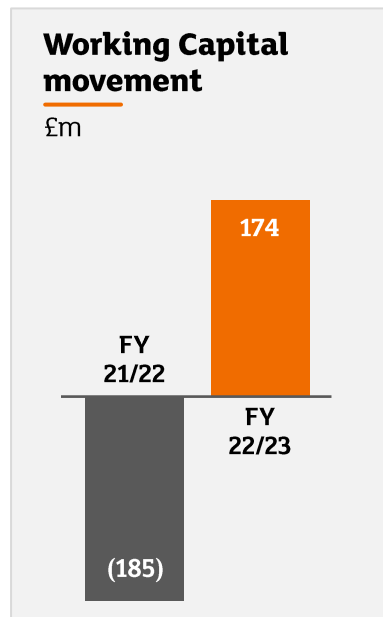
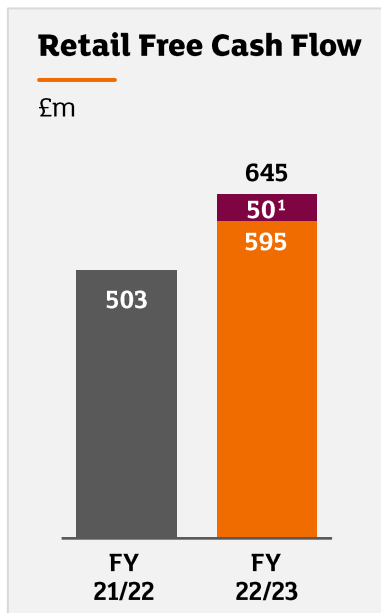
down 62% YoY



All figures £m

<sup>1</sup> Underlying Financial Services operating profit

# Balance sheet metrics



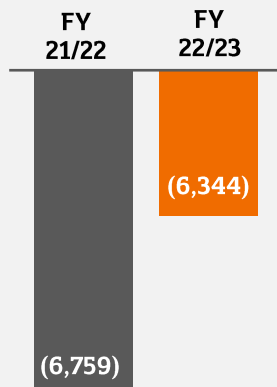
<sup>1</sup> £50m dividend from Sainsbury's Bank

<sup>2</sup> Underlying basic earnings per share

# Balance sheet metrics

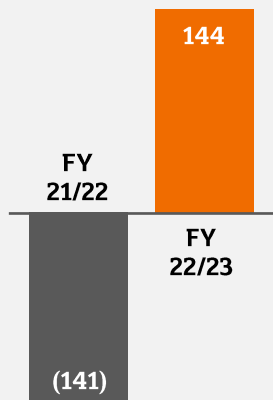
## Net debt including leases

£m

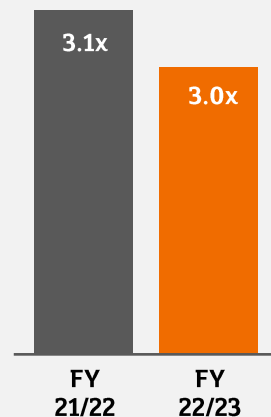


## Net (debt)/funds excluding leases

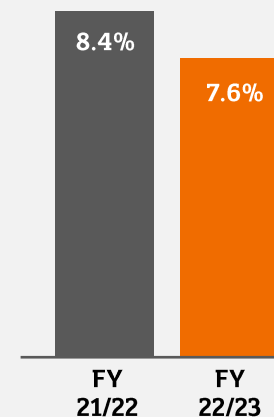
£m



## Net debt / EBITDA<sup>1</sup>



## Return on capital employed



<sup>1</sup> Net debt including leases of £6,344 million divided by Group underlying EBITDA of £2,139 million

# Capital allocation framework

<b>1</b>	<b>Invest in the business to support our strategy</b>	Capex to remain in range of £700m-£750m, continue to generate FCF of £500m+ per year
<b>2</b>	<b>A solid investment grade balance sheet</b>	Target leverage of 3.0x-2.4x net debt/EBITDA
<b>3</b>	<b>Deliver strong dividends for shareholders</b>	Payout ratio around 60% of underlying earnings
<b>4</b>	<b>Selectively invest in projects to grow or strengthen the business</b>	Where commercially interesting or NPV positive opportunities exist, such as lease buy-ins
<b>5</b>	<b>Return surplus cash to shareholders</b>	Through higher dividends and/or share buybacks

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# Strategic highlights

FY22/23



# Our priorities



## Food First

- Better value and innovation
- Underpinned by buying benefits and lower cost to serve



## Brands that Deliver

- Customer and profit focus
- Supporting the core food business



## Save to Invest

- Structurally lower operating costs to fuel investment in the core
- Cutting complexity and increasing pace of execution



## Connected to Customers

Know and serve our customers better, use the power of Nectar



## Plan for Better

Environmental and social sustainability at our core

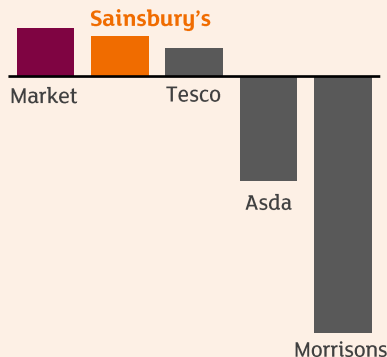
# Two years into our plan, we're making good progress on our metrics

## Operational

### Grocery market share performance



Volume growth ahead of full choice grocers<sup>1</sup>

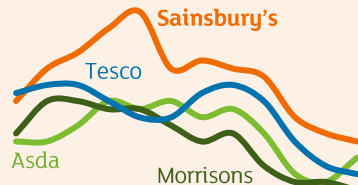


### Strong customer satisfaction scores



**+40bps**  
Overall CSAT vs 19/20

Ahead of competitors on Supermarket CSAT<sup>2</sup>



### Maintain strong colleague engagement



**+6ppt**  
Colleague engagement score<sup>3</sup>

**+5ppt**  
Colleague authenticity score<sup>3</sup>

**+4ppt**  
Colleague empowerment<sup>3</sup>

**+7ppt**  
Manager support<sup>3</sup>

### Deliver our 'Plan for Better' commitment



<sup>1</sup> Source: NielsenIQ Panel volume growth Yo3Y. Total FMCG (excluding Kiosk & Tobacco), 52 weeks to 4 March 2023. Market Universe: Total Outlets

<sup>2</sup> Source: Competitor benchmarking survey. Overall Supermarket customer satisfaction % score 2020/21 to 2022/23

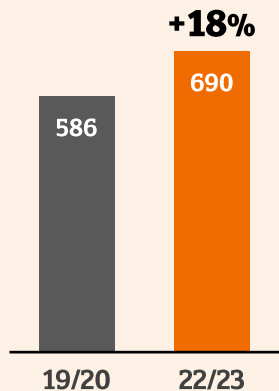
<sup>3</sup> Source: eSAT scores March 2023 vs April 2021 (baseline)

# Two years into our plan, we're making strong progress on our metrics

## Financial

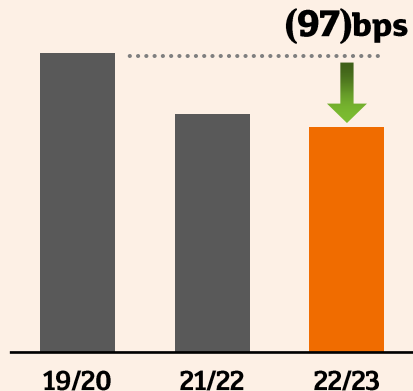
### UPBT Growth

£m



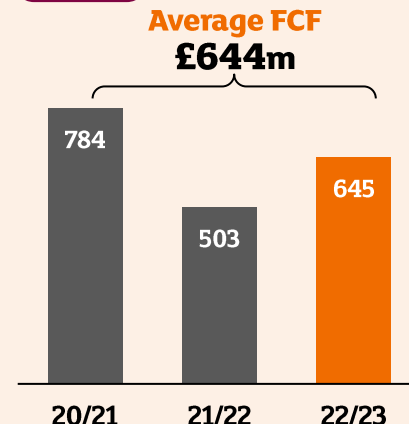
### 200bps+ reduction in retail SG&A to sales

%



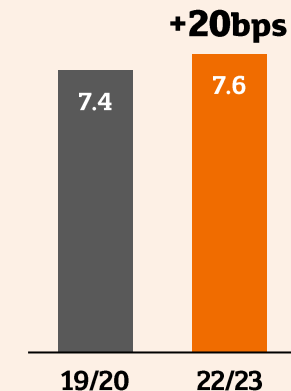
### Retail free cash flow: £500m+ pa average

£m



### Increase Return on Capital Employed

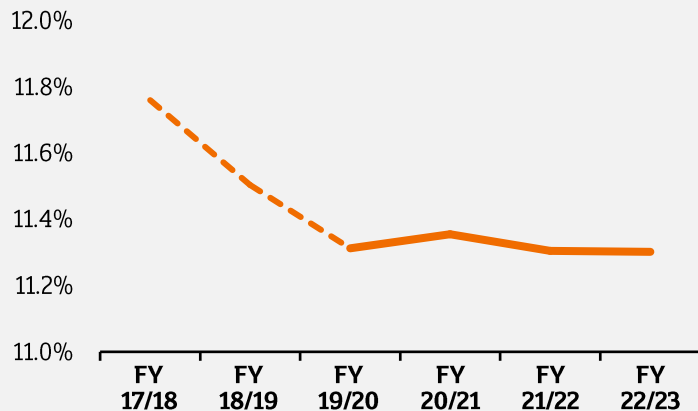
%



# Investment in food driving volume market share performance

## Significantly improved volume share trend under Food First strategy

### Grocery volume share<sup>1</sup>



## Outperforming other full choice grocers

### Grocery volume growth:

FY22/23 vs FY19/20<sup>2</sup>



<sup>1</sup> Source: Nielsen Panel volume market share FY17/18 – FY22/23. Total FMCG (excluding Kiosk & Tobacco), Market Universe: Total Outlets

<sup>2</sup> Source: Nielsen Panel volume growth Yo3Y. Total FMCG (excluding Kiosk & Tobacco), 52 weeks to 4 March 2023. Market Universe: Total Outlets



# Delivering great value for customers

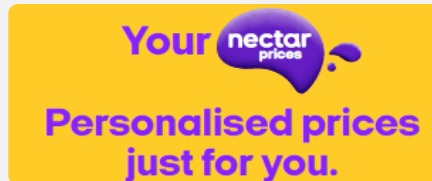
## Unique combination of lower prices and personalised offers



- **High volume, fresh lines** that customers buy most often
- Around **300 products** in latest campaign



- **8-week price lock commitment** on Own Brand and Branded products
- Around **2,000** products in latest campaign

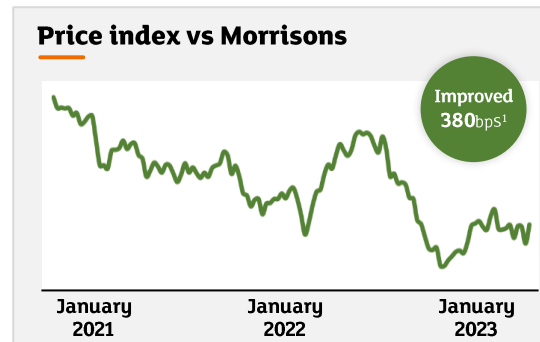
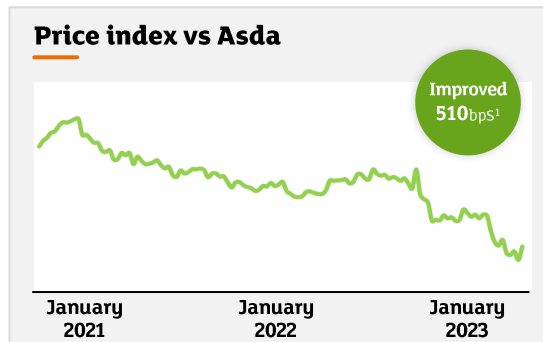
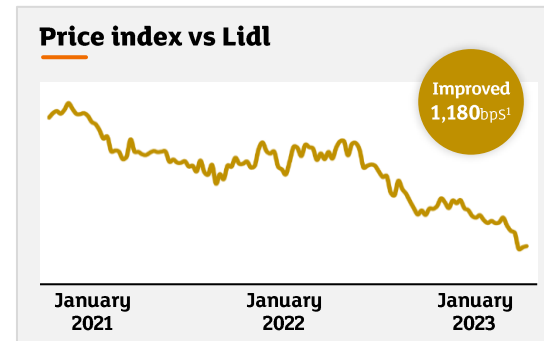
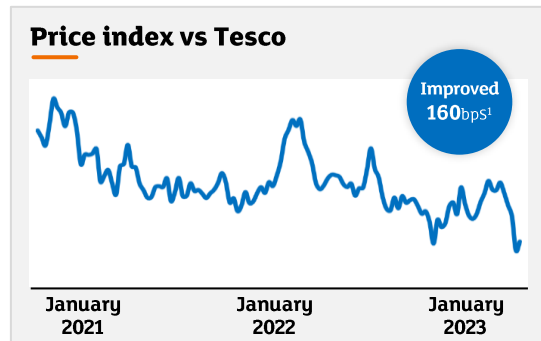
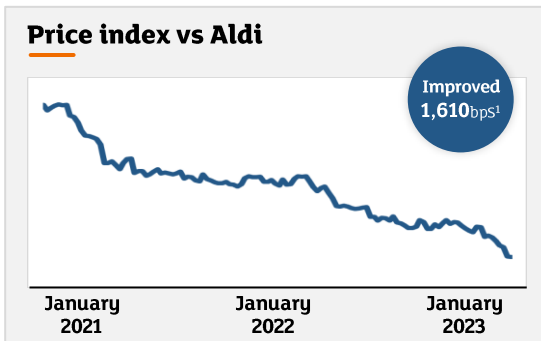


- **70+ million unique personalised offers** generated each week
- Up to **30% off** specifically tailored products



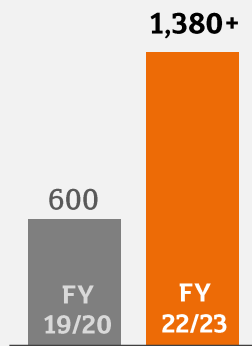
- Discounts for **every Nectar customer**
- Initial discounts on **over 300 products**

# Invested more than £560m in value over two years



# Innovation is powering our market outperformance in key events

## Exceeded innovation target



15%  
ahead of  
22/23 target

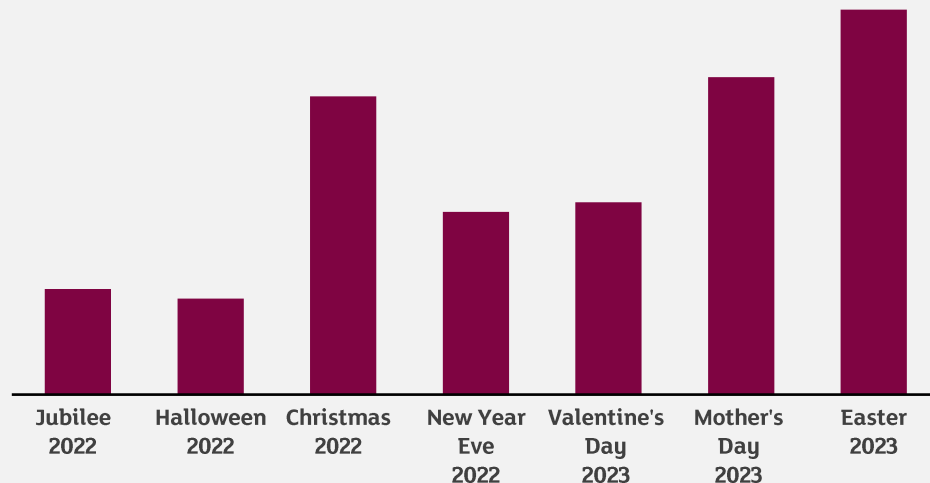
## Strong growth in Taste the Difference

up 16% Yo3Y



## Customers consistently choosing Sainsbury's to help them celebrate

Market outperformance YoY<sup>1</sup>





## Plan for Better:

# Strong progress reducing plastic and tackling food waste

### Leading on innovation in plastic packaging



- **1st** UK retailer to vacuum pack all beef mince saving **over 450 tonnes of plastic** each year
- **1st** to market Own Brand handwash refill pouch with **85% less plastic**
- **Launched** our Flourish ready meal range in plastic lined pulp trays using **85% less plastic**

### Continued progress in reducing food waste



- Introduced '**Taste Me, Don't Waste Me**' fruit & veg boxes, available in 200 supermarkets for £2
- Over **10 million** meals donated in partnership with Neighbourly
- **Announced removal of 'best before' date labels** from over 270 more own brand products

1 Absolute reduction vs baseline in own brand plastic packaging (tonnes). Baseline reflects 2018 CY for Food + 2020 CY for GM

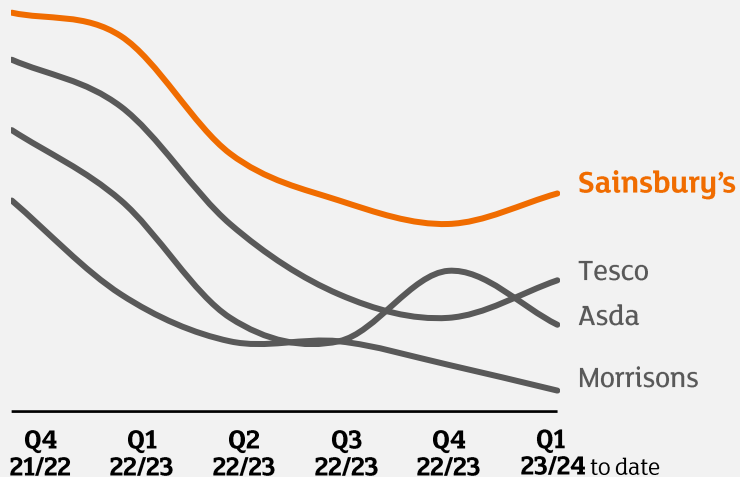
2 Reduction vs FY19/20 baseline in food waste to anaerobic digestion (tonnes)



# Leading customer satisfaction

## Supermarkets

Customer satisfaction index<sup>1</sup>



## Availability<sup>2</sup>

Sainsbury's



## Speed<sup>2</sup>

Sainsbury's



## Quality<sup>2</sup>

Sainsbury's



## Colleague Availability<sup>2</sup>

Sainsbury's

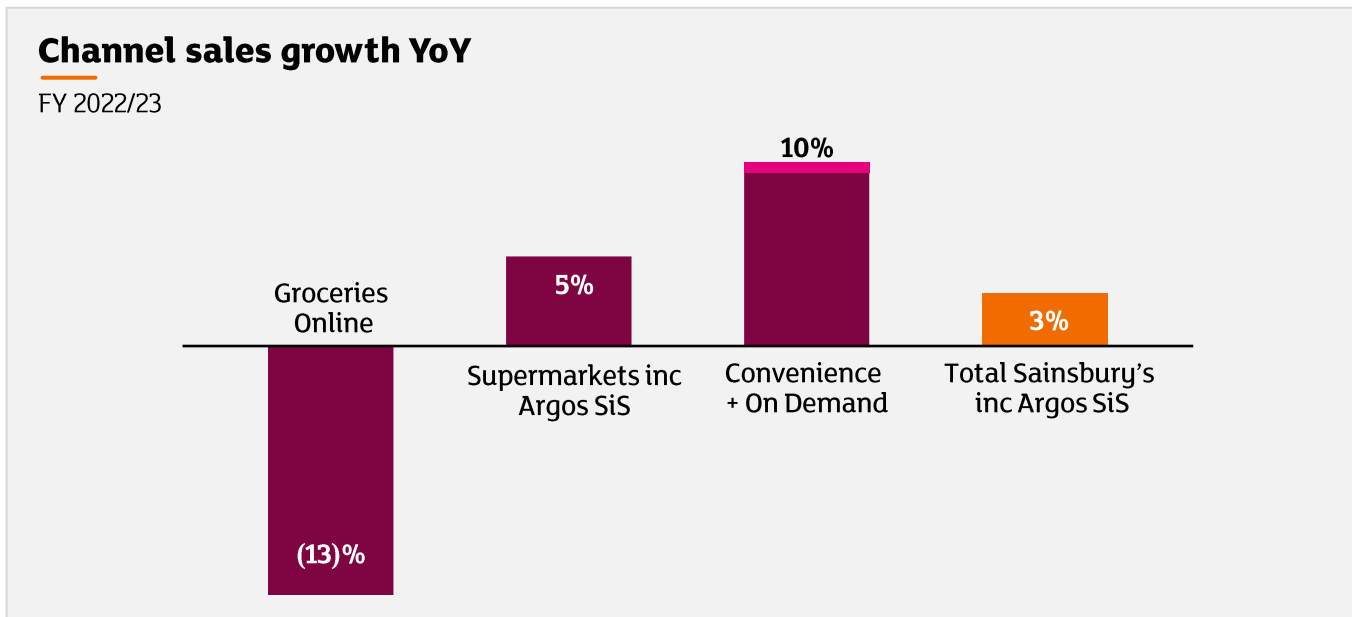


<sup>1</sup> Source: Competitor benchmarking survey. Overall Supermarket customer satisfaction % score

<sup>2</sup> Source: Competitor benchmarking survey. Supermarket customer satisfaction % scores 12 weeks to 4 March 2023.



# Supermarkets and Convenience strong as online normalises



# Unique combination of lower prices and extra personalised discounts

## Your Nectar Prices



## Nectar Prices



Your nectar prices

Personalised prices just for you.

Without Nectar £3.30

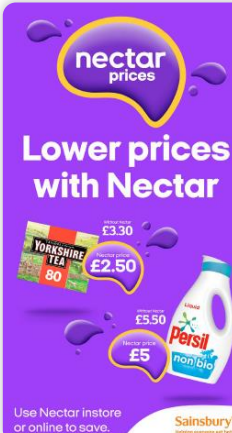
Your Nectar price **£2.30**

Check your offers

### Personalised discounts

tailored to you

- >2 million SmartShop customers (60% participation<sup>1</sup>)
- Customers have saved over **£61 million<sup>2</sup>**
- **Groceries Online** this year



nectar prices

Lower prices with Nectar

Without Nectar £3.30

Nectar price **£2.50**

Without Nectar £5.50

Nectar price **£5**

Use Nectar instore or online to save.

Sainsbury's

**Big savings** available to everyone

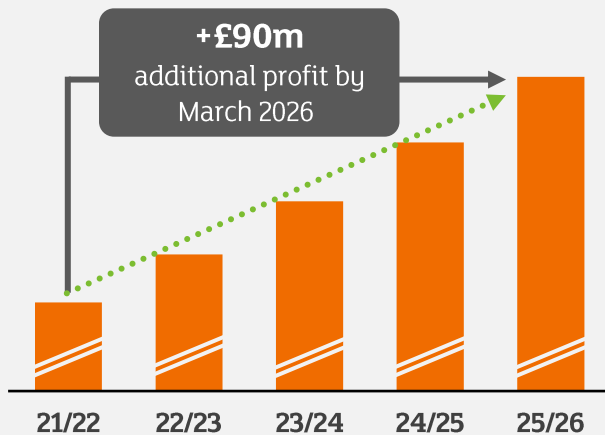
- >18 million Nectar customers can use in supermarkets and online
- >300 selected products, expanding into more categories
- Shelf edge, redeemed via **scan or swipe**

<sup>1</sup> % of SmartShop users actively using Your Nectar Prices in the 8 weeks to 18 April 2023

<sup>2</sup> Since launch in September 2021

# Increasing Nectar participation fuels our Nectar360 business

## On track to deliver additional profit contribution



This chart is not to scale

## Loyalty, insights and marketing business



### Loyalty:

retained long-term Nectar partnerships



### Shopper Marketing:

advertising placements in and around store media



### Data and Insights:

bespoke analytics and insight products



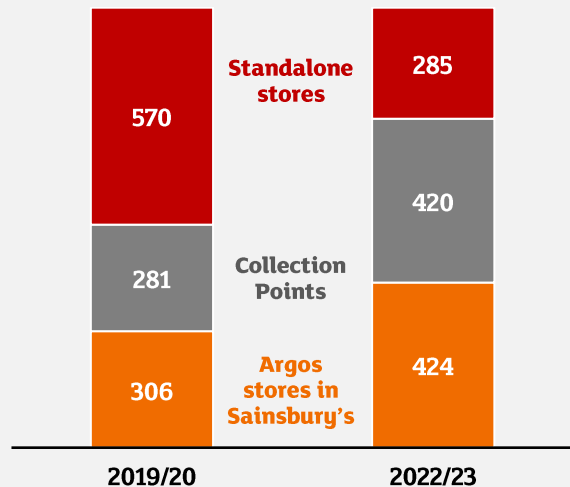
### Digital Media:

advertising placements onsite and offsite

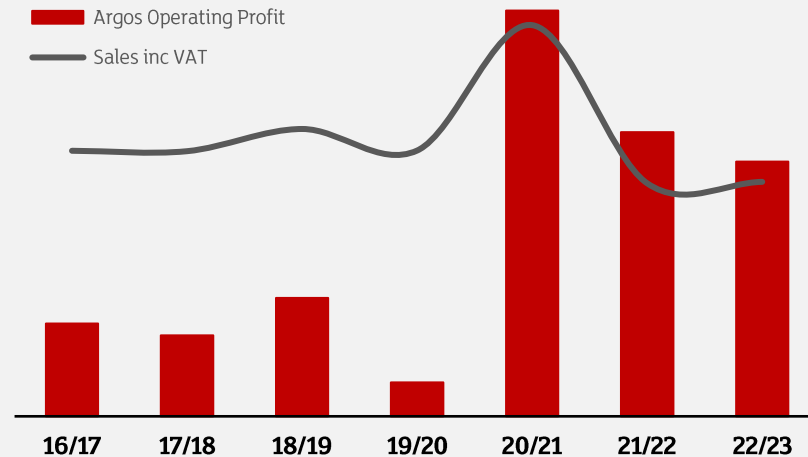


# Argos is a more profitable and resilient business

## Optimising the store estate, maintaining **1,100+** points of presence



## Lower costs have driven significant improvement in Argos operating profit





# Strengthening the Argos customer proposition

## Improved CSAT

up **2.0% pts** YoY<sup>1</sup>

## Improved same day availability

up **4.5% pts** YoY<sup>2</sup>

## Accessibility

around **85%**  
of UK households  
within a 15minute drive

## Growing Argos range and assortment

dyson

Emma<sup>®</sup>  
The Sleep Company

mamas  
& papas

CuddleC

WW  
WoodWick.

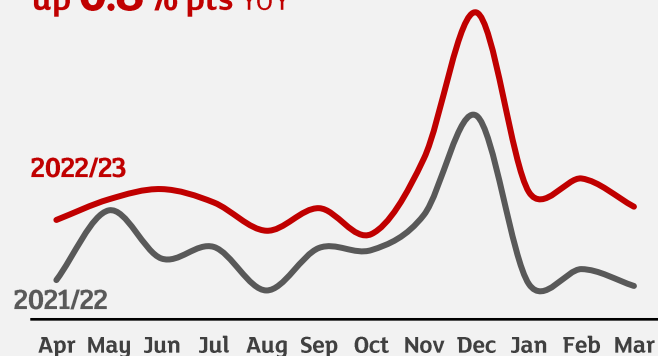
smeg

Miele

NEFF

## Argos market share<sup>3</sup>

up **0.8% pts** YoY



Strong performance in Consumer Electronics,  
Technology and Home

1 Source: Customer Satisfaction % score FY22/23 average vs FY21/22 average

2 Argos same day / next day availability for small item

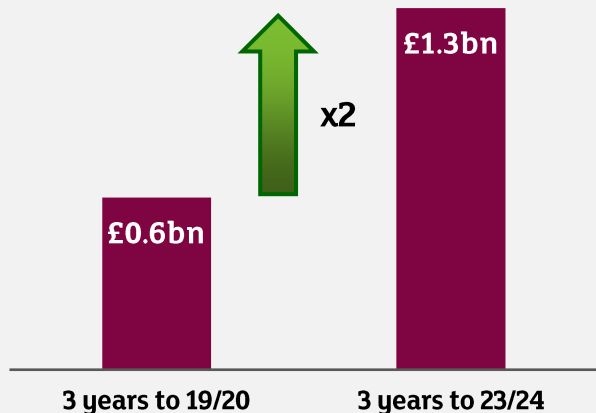
3 Source: GfK tracked market share 12 months to March 2023



# Delivering cost savings and building further capacity

## We are **doubling** the run rate of cost savings

Cost savings, £bn



## Key cost savings

**£900m+**

**Total savings delivered over two years**

### Structural Change

- Argos transformation
- Centrals & Organisation
- Logistics Transformation

### Efficiency

- Store operations
- Groceries Online operating model

### Customer Proposition Change

- Food Services
- Marketing
- Property rationalisation

# Building on a strong foundation for the year ahead

## Build on

Strong trading momentum

## Retain

Flexibility to make the right choices

## Deliver

Bold cost savings

## Embed

Plan for Better

## Sustain

Competitive value position

## Invest

To help customers and colleagues

J Sainsbury plc

Q&A



**nectar prices**

# Nectar Prices are here

Scan your app or swipe your card to save

### How to join Nectar

- Scan QR code to get the app, or
- Pick up a card in store today, or
- Register at [nectar.com](https://nectar.com)

Look out for products with the Nectar Prices label

Requires Nectar. Only on eligible products, see shelf edge ticket for details. Subject to availability. While stocks last.

The poster features a purple background with a yellow speech bubble containing the 'nectar prices' logo. It includes a QR code, a smartphone displaying the Nectar app, and a Nectar card. A small inset shows a product with a Nectar Price label.

