Ocado Group plc
2013 Preliminary Results

4 February 2014

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Agenda

- Introduction – Sir Stuart Rose
- Financial Review – Duncan Tatton-Brown
- Strategic Review – Tim Steiner
- Q&A

Appendices

Sir Stuart Rose
Chairman

Duncan Tatton-Brown
CFO

Financial review introduction

- Improved trading momentum
- Balance sheet strengthened
- Investing for capital efficient growth

Financial summary[1]

	FY13 (£m)	FY12 (£m) [2]	Variance (%)	FY13 (% Revenue)	FY12 (% Revenue)
Gross sales (Retail)	843.0	719.0	17.2%	-	-
Revenue	792.1	666.6	18.8%	-	-
Gross profit	247.5	203.4	21.7%	31.2	30.5
EBITDA (pre-exceptional)	45.8	33.9	35.1%	5.8	5.1
Depreciation, amortisation & impairment [3]	(43.9)	(28.6)		(5.5)	(4.3)
Operating profit before exceptional items [4]	1.9	5.3		0.2	0.8
Net finance costs	(7.0)	(3.5)		(0.9)	(0.5)
(Loss)/profit before tax and exceptional items	(5.1)	1.8		(0.6)	0.3
Exceptional items [5]	(7.4)	(2.3)			

1. All financial information presented is unaudited
2. 52 weeks to 2 December 2012
3. FY12 excludes £0.9m impairment charge and FY13 excludes £0.2m reversal of impairment charge (both included in exceptional items)
4. Operating profit includes share of results from JV and exclude exceptional items
5. Exceptional items also include exceptional finance costs

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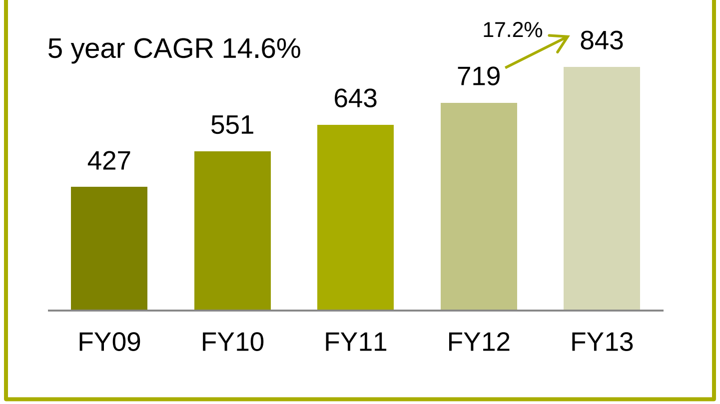
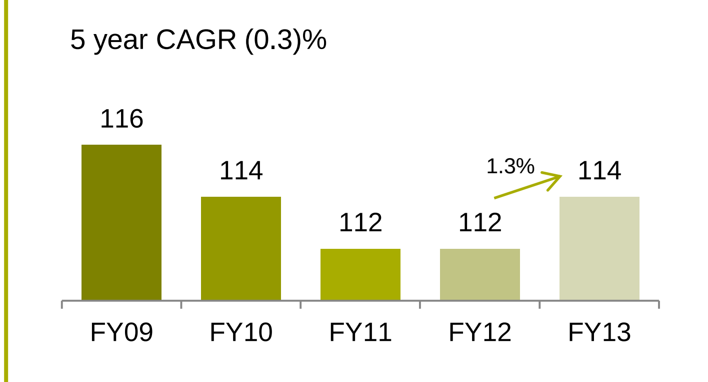
Sales drivers[1] (Retail)

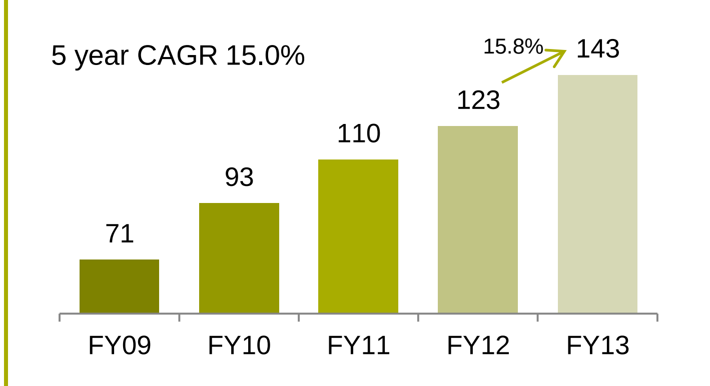
Gross sales [2], £m



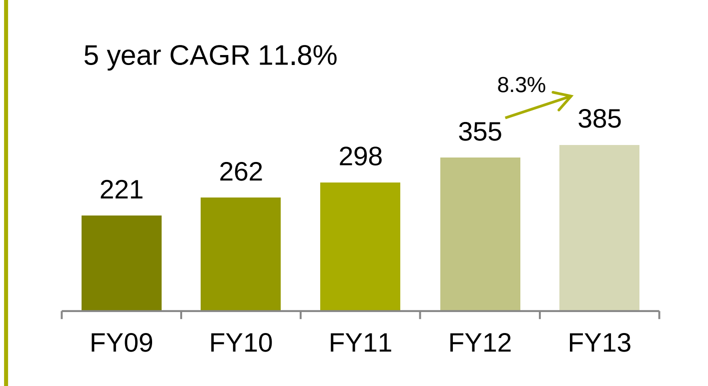
Average basket size, £



Average orders per week, 000



Active [3] customers, 000



1. Percentage movements are based on unrounded numbers for 52 weeks to 2 December 2012
2. Figures are for Ocado retail business only
3. A customer is classified as active if they have shopped within the previous 12 weeks. Data shows active customers at each period end.

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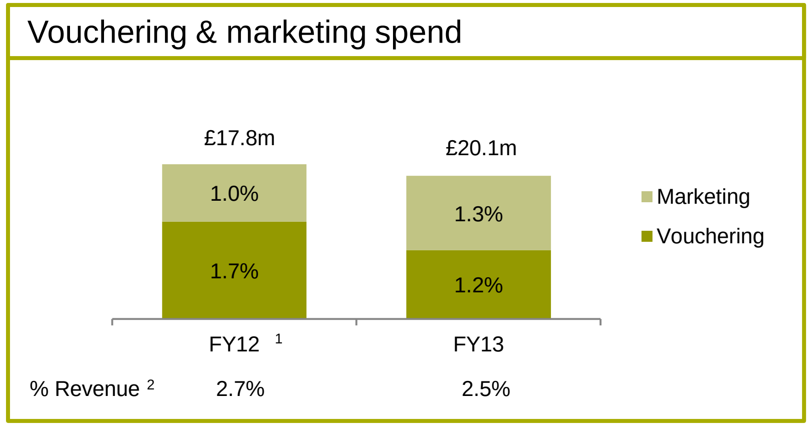
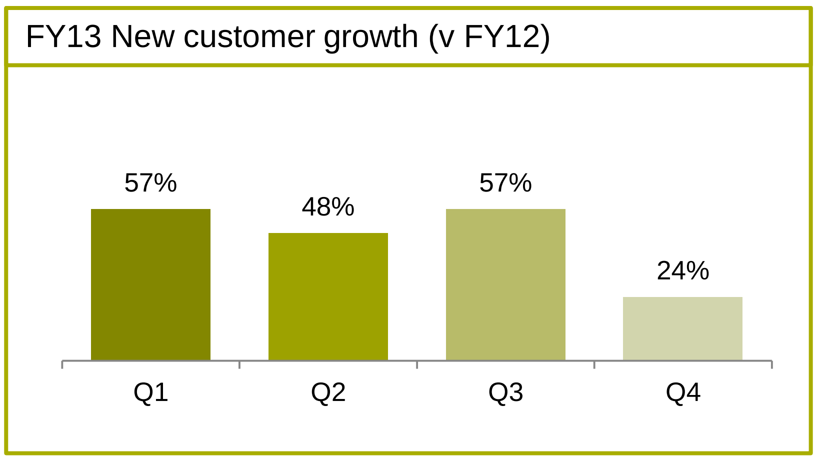
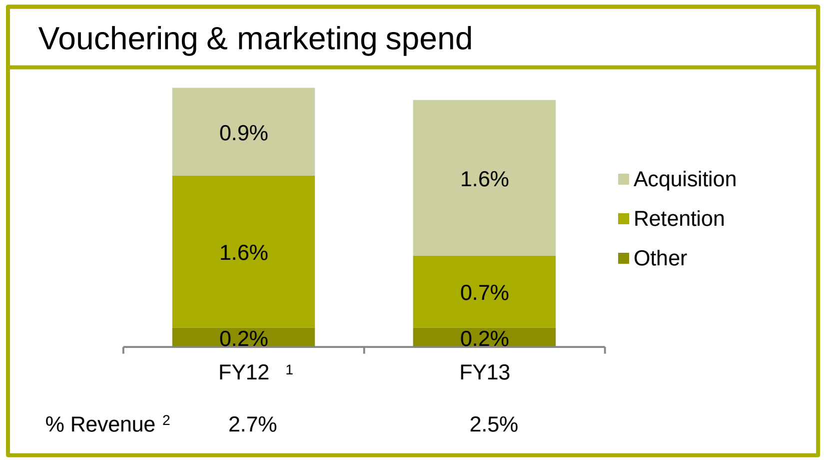
Customers

- Customer service improved
  - On time or early: 95.2% (2012: 92.7%)
  - Items delivered as ordered: 99.0% (2012: 98.0%)
- New customers grown strongly; up over 40%
- Marketing focus from retention to acquisition
- Retention rates maintained

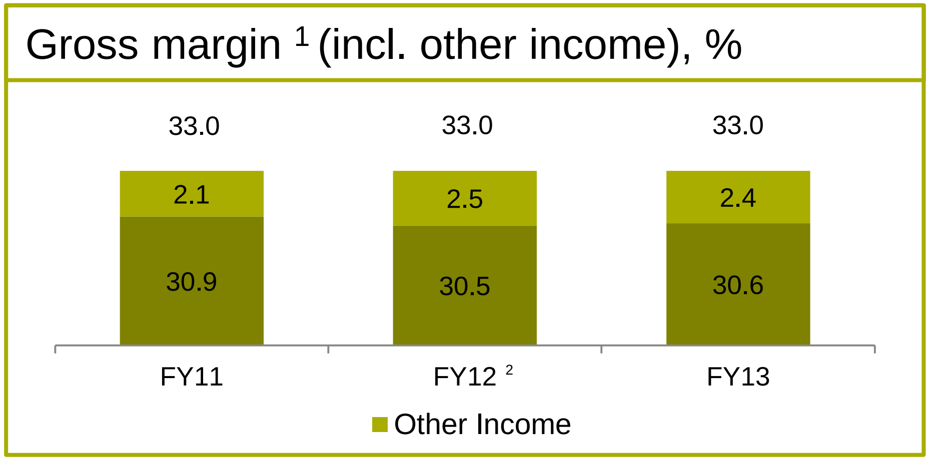


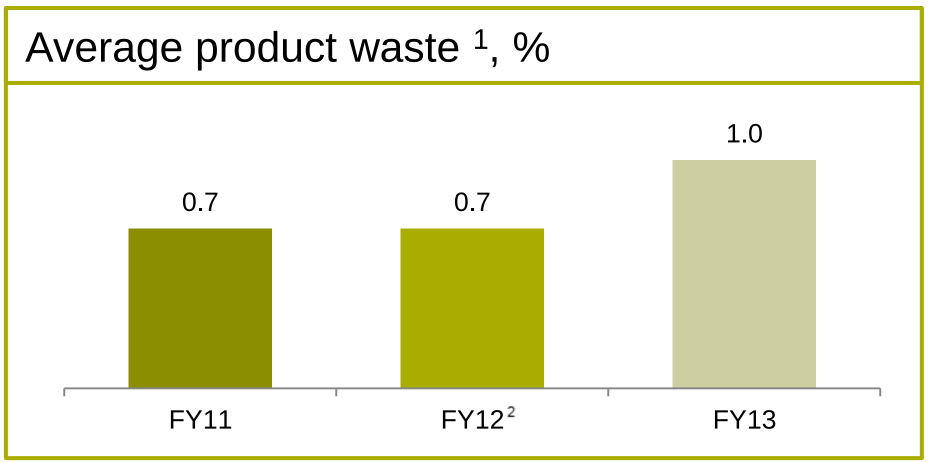




1. 52 weeks to 2 December 2012
2. Expressed as a percentage of Retail revenue

Gross margin (Retail)





- FY13 impacted by opening of new CFC, operating at low initial volumes in Q2 and Q3
- Q4 product waste 0.7%

1. Expressed as a percentage of Retail revenue
2. 52 weeks ended 2 December 2012

Operating metrics

	FY13 [1] (£m)	FY12 [1,3] (£m)	FY13 (% Revenue)	FY12 (% Revenue)
Trunking & delivery [4]	90.9	81.1	11.5	12.2
CFC [4]	70.5	58.2	8.9	8.7
Other operating costs [4]	9.3	7.8	1.2	1.2
Marketing (non vouchering) [4]	10.1	6.5 [6]	1.3	1.0
Administrative expenses [5]	44.9	32.4	5.7	4.9
Depreciation & amortisation [5]	43.9 [2]	28.6 [2]	5.5	4.3
Total [5]	269.6	214.5	34.0	32.2
CFC1 efficiency	135 UPH	121 UPH		
Service Delivery efficiency	160 DPV	152 DPV		

1. Adjusted to exclude exceptional items
2. FY12 excludes £0.9m impairment charge and FY13 excludes £0.2m for reversal of impairment charge (both included in exceptional items)
3. 52 weeks ended 2 December 2012
4. Expressed as a percentage of Retail Revenue
5. Expressed as a percentage of Group Revenue
6. Marketing costs in 2012 now include £0.3m Non Food marketing costs

Impact of Morrisons

Revenue	+	Fees
	+	Cost recharges
Cost of goods	=	
Other Income	+	Rental 50% of CFC and MHE
Costs	-	Operational costs (fixed & variable)
	-	Lease costs (excluding interest)
	-	Additional costs (mainly IT)
	+	MHE JV income (50%)
Interest	-	Lease interest costs

Capital investment

	FY13 [1] (£m)	FY12 (£m)
CFC 1	5.9	15.6
CFC 2	38.0	80.4
Delivery	10.8	8.9
IT	14.1	14.4
Other	7.5	5.2
Total	76.3	124.5

1. Reported additions to property, plant and equipment for the period of £188.4 million include the £112.1 million leaseback of the MHE assets

Underlying cashflow

	FY13 (£m)	FY12 (£m)
EBITDA	45.8	34.5
Adjustments for non cash and exceptional items	(1.9)	(1.0)
Capital spend	(77.5)	(100.9)
Working capital	1.4	7.2
Interest paid	(6.8)	(4.2)
Cash movement excluding financing activities	(41.8)	(64.4)
Net cash flows from financing activities	(20.2)	61.8
Cash movement including financing activities	(62.0)	(2.6)
Cash movements arising from Morrisons transactions	82.9	-
Total movement in cash and cash equivalents	**20.9**	**(2.6)**
Net cash/(debt), excludes MHE JV Co	**61.8**	**(55.2)**

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2014 expected capital spend[1]

	FY14 (£m)	Notes
CFC	35	CFC2 Phase 2 / bagging machines / aisle & crane refurbs / resiliency
Technology	25	People and hardware
Vehicles & spokes	20	Existing spokes / new spokes / vehicles
R&D	15	Research and development projects
Non-Food / Other	5	Non-Food / Offices
Total	**100**	

1. Excludes future CFCs

Summary

- Improved trading momentum
- Balance sheet strengthened
- Investing for capital efficient growth

Tim Steiner

CEO

Key highlights

- Customers continue to move online
- A year of progress:
  - Proposition improvements drove strong growth
  - Opened more efficient capacity
  - Morrisons deal illustrated long term value
- Core strategy remains valid
- What to expect in 2014:
  - Maintaining trading momentum
  - Further investment in efficient capacity
  - Preparing for future strategic opportunities

Strategy

Strategic objectives

Driving growth

- Developing proposition to customers
- Growing customer numbers and encouraging spend

Maximising efficiency

- Optimising operations
- Enhance efficiency of future capacity and drive scale benefits

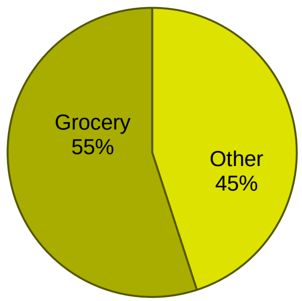
Utilising knowledge

- Develop and leverage IP in our business and through monetisation

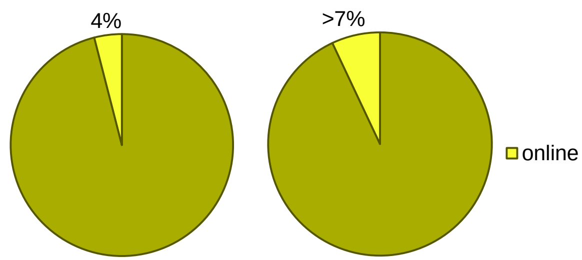
Online grocery market development unquestioned

IGD

"…online will be the fastest growing channel over the next five years…"

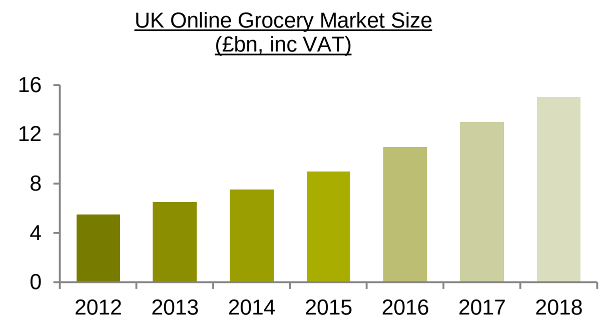


UK retail sales (2013)



2013 Grocery Market c £170bn

2018 Grocery Market c £206bn



Market development

- Big 4 now all online with Morrisons entry in January 2014 (using Ocado technology and services)
- All major sectors players investing significantly into online service provision
- Starting to build "dark" stores as online capacity in-store challenged

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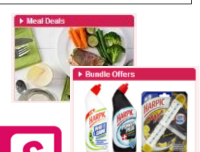
Driving growth: growing customer numbers and spend

Proposition development

Service	Highest and improved service levels Quick and easy to use	Log in with Facebook
Range	Wider range Fresher produce Non-food expansion	BRINDISA SPANISH FOODS evenmore from ocado
Price	More promotions Better value Price commitment	SMART PASS TESCO PRICE MATCH low price promise



- Retail sales +17.2%
- Active[1] customers +8.3%
  - New customers +40% YOY
  - Loyal[2] customers grew over twice as fast as active
- Basket +1.3%

1. Customer who shopped once in last 12 weeks
2. Customer who shopped four or more times in last 12 weeks

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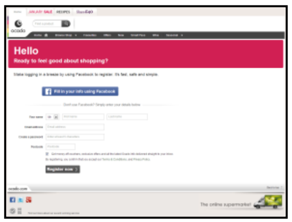
Driving growth: developing our proposition to customers

"Leading the market in customer satisfaction"[1]

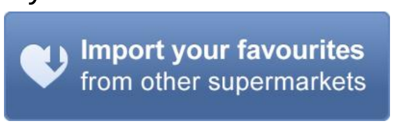
Service

Quick registration



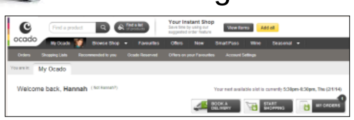
Recipes on edit order reminders

Import my favourites



Latest mobile apps

Auto login



Range

Ocado: 34,000 SKUs

Own brand: Over 60% sales growth

Non-food

evenmore from ocado

Fetch: 6,000 SKUs

fetch The pet store from Ocado

Price

Positively impacting customers perceptions of prices with LPP

Low price promise

Offers now at a level similar to industry leaders

Over half our business conducted using Smart Pass

SMART PASS

1 YouGov Brand Index. Nov 2013

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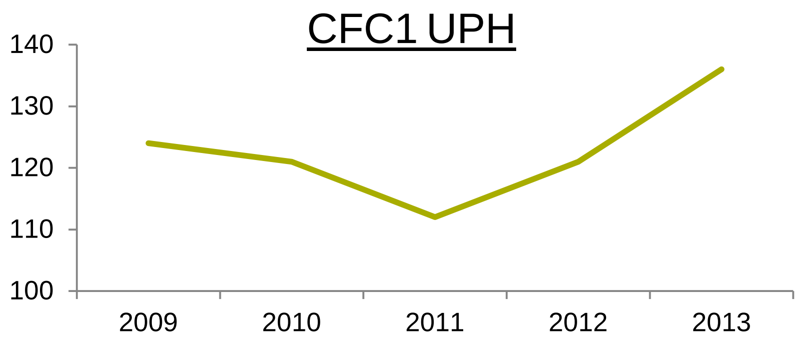
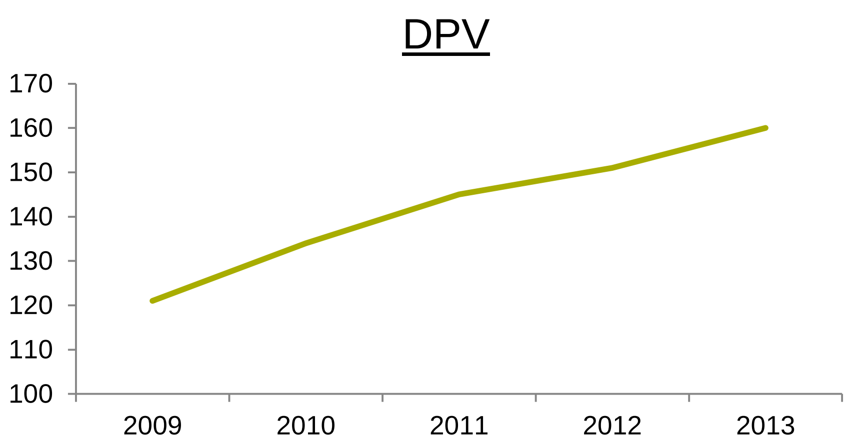
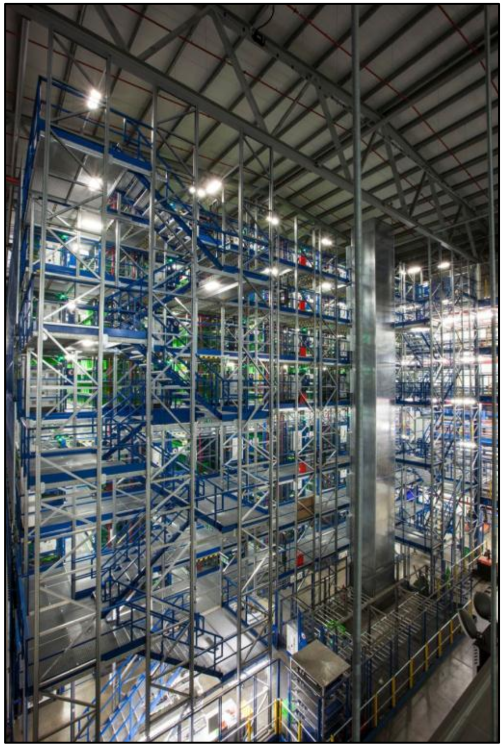
Optimising operations



Dordon CFC target 200+



Long term target 175



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Enhanced capital efficiency of future capacity: Dordon CFC

Headline improvements

- Latest versions of technology
- Improved resiliency and redundancy
- Inbound and layout improvements

Resulting in

- Improving productivity
- Cheaper to pick orders than at Hatfield CFC

Phase 2

- 50% increase in capacity to 180+ OPW
- Due to complete H2 2014

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Utilising knowledge: Morrisons agreement

Morrisons.com launched on 10 January 2014, powered by Ocado

Driving capital efficiency

CFC incremental projects	Future fulfilment assets	
	Priority attributes	Desirable attributes
• Bagging machines • Big and Bulky • Robotics	• More scaleable • Modular • Faster to deploy	• More efficient • Cheaper • Less space
	More capital efficient	

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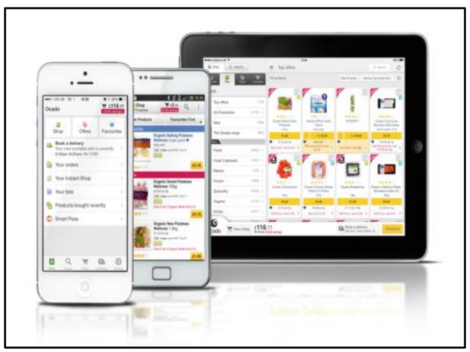
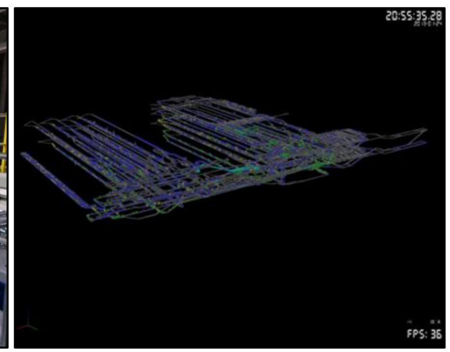
Strategic opportunities

Morrisons

Replatform IT

Optimise CFC model





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Conclusion

- Accelerating online growth
- Focus on core strategic objectives to generate value
- Significant developments underway to fulfil platform potential

Q&A

Appendices

- 1: Operational KPIs
- 2: Balance sheet
- 3: Capital spend, accruals v cash, Morrisons adjusted
- 4: Statutory summary
- 5: Statutory cashflow

Appendix 1

- Operational KPIs

	FY13	FY12 [4]
CFC1 efficiency (units per hour) [1]	135	121
Average deliveries per van per week (DPV)	160	152
Average product wastage (% of Retail revenue) [2]	1.0	0.7
Items delivered exactly as ordered (%) [3]	99.0	98.0
Deliveries on time or early (%)	95.2	92.7

1. Measured as units dispatched from the CFC per hour worked by CFC operational personnel
2. Value of products purged for having passed Ocado's "use by" life guarantee and stock adjustments, divided by revenue (Retail)
3. Percentage of all items delivered exactly as ordered, i.e. the percentage of items neither missing nor substituted, measured as % Revenue (Retail)
4. 52 weeks to 2 December 2012

Appendix 2

- Balance Sheet

		FY13 (£m)	FY12 (£m)
Non-current assets	Property, plant and equipment	224.3	280.3
	Other	94.2	29.9
	Total	318.5	310.2
Current assets	Cash and cash equivalents	110.5	89.6
	Other current assets	69.1	48.5
	Total	179.6	138.1
Total Assets		**498.1**	**448.3**
Current Liabilities	Trade and other payables	(130.0)	(94.1)
	Obligations under finance leases	(25.0)	(19.8)
	Other current liabilities	(4.0)	(3.7)
	Total	(159.0)	(117.6)
Non-current liabilities	Obligations under finance leases	(126.9)	(31.1)
	Other non-current liabilities	(9.8)	(93.9)
	Total	(136.7)	(125.0)
Total liabilities		**(295.7)**	**(242.6)**
Net assets		**202.4**	**205.7**

Appendix 3

- Capital spend, accruals v cash, Morrisons adjusted

	FY13 (£m)	FY12 (£m)
Reported capital investments	76.3	124.5
Non cash additions of finance leases	(9.3)	(7.6)
Net movement in provisions and reserves	(0.5)	(2.8)
Net movement in invoices received, not paid	12.3	(11.6)
Net movement in accruals	(1.3)	(1.6)
Cash capital investment	**77.5**	**100.9**

Appendix 4

- Statutory summary

	52 weeks FY13 (£m)	52 weeks FY12 (£m)	53 weeks FY12 (£m)
Operating profit before share of result from joint venture and exceptional items	1.0	5.3	5.4
(Loss)/profit before tax and before exceptional items	(5.1)	1.8	1.8
Exceptional items	(7.4)	(2.3)	(2.4)
(Loss) before tax	(12.5)	(0.5)	(0.6)
Tax	-	(1.8)	(1.8)
(Loss) per share	(2.16)	(0.46)	(0.46)

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Appendix 5

- Statutory cashflow

	52 weeks FY13 (£m)	53 weeks FY12 (£m)
EBITDA	45.8	34.5
Working capital movement [1]	23.5	7.2
Exceptional items	(4.6)	(2.4)
Other non-cash items [2]	2.8	1.4
Finance costs paid [1]	(7.1)	(4.6)
Operating cash flow	60.4	36.1
Capital investment [2]	(77.5)	(100.9)
(Decrease)/Increase in net debt/finance obligations[3]	34.2	27.1
Proceeds from share issues net of transaction costs	3.8	35.1
Increase/(decrease) in cash and cash equivalents	**20.9**	**(2.6)**

1. Capital investment has been adjusted for £4.5 million of capitalised borrowing costs due to an adjustment in working capital and finance costs paid
2. Other non-cash items include movements in provisions, share of income from MHE JV Co and share based payment charges
3. Includes sale and leaseback of MHE assets to MHE JV Co