



# Ocado Group plc **2017 Full Year Results**

6<sup>th</sup> February 2018

# Forward-looking statements

## DISCLAIMER

This presentation contains oral and written statements that are or may be “forward-looking statements” with respect to certain of Ocado’s plans and its current goals and expectations relating to its future financial condition, performance and results. These forward-looking statements are usually identified by words such as ‘anticipate’, ‘target’, ‘expect’, ‘estimate’, ‘intend’, ‘plan’, ‘goal’, ‘believe’ or other words of similar meaning. By their nature, all forward-looking statements involve risk and uncertainty because they are based on current expectations and assumptions but relate to future events and circumstances which may be beyond Ocado’s control. There are important factors that could cause Ocado’s actual financial condition, performance and results to differ materially from those expressed or implied by these forward-looking statements, including, among other things, UK domestic and global political, social, economic and business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, the possible effects of inflation or deflation, variations in commodity prices and other costs, the ability of Ocado to manage supply chain sources and its offering to customers, the effect of any acquisitions by Ocado, combinations within relevant industries and the impact of changes to tax and other legislation in the jurisdictions in which Ocado and its affiliates operate. Further details of certain risks and uncertainties are set out in our Annual Report for 2017 which can be found at [www.ocadogroup.com](http://www.ocadogroup.com). Ocado expressly disclaims any undertaking or obligation to update the forward-looking statements made in this presentation or any other forward-looking statements we may make except as required by law. Persons receiving this presentation should not place undue reliance on forward-looking statements which are current only as of the date on which such statements are made.

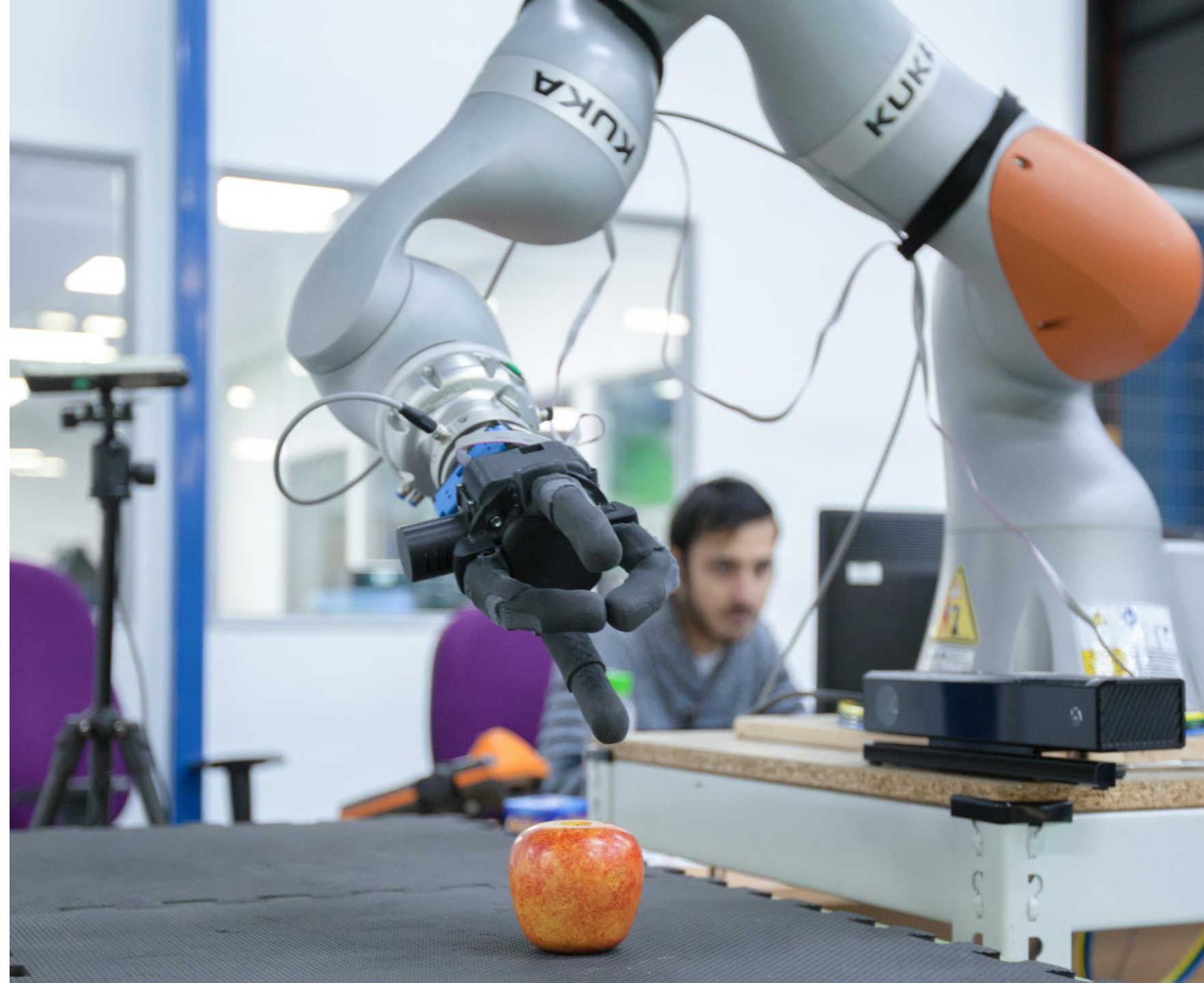
# The Chairman's Overview

Lord Rose



# Our vision

Tim Steiner, CEO



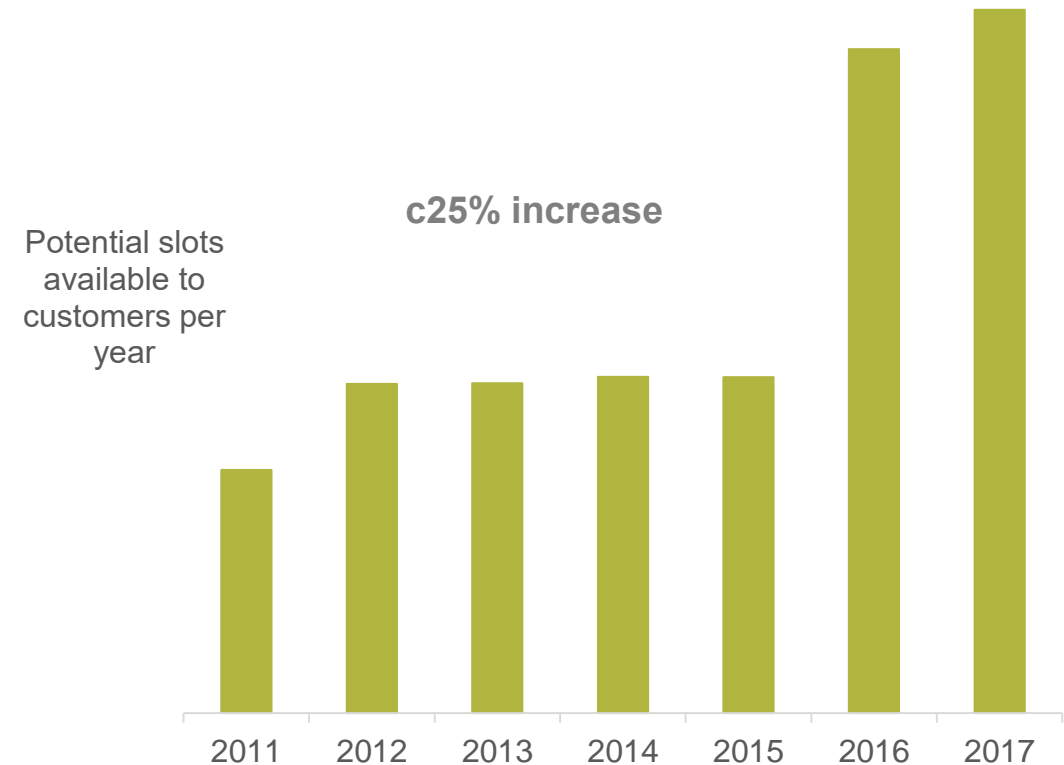
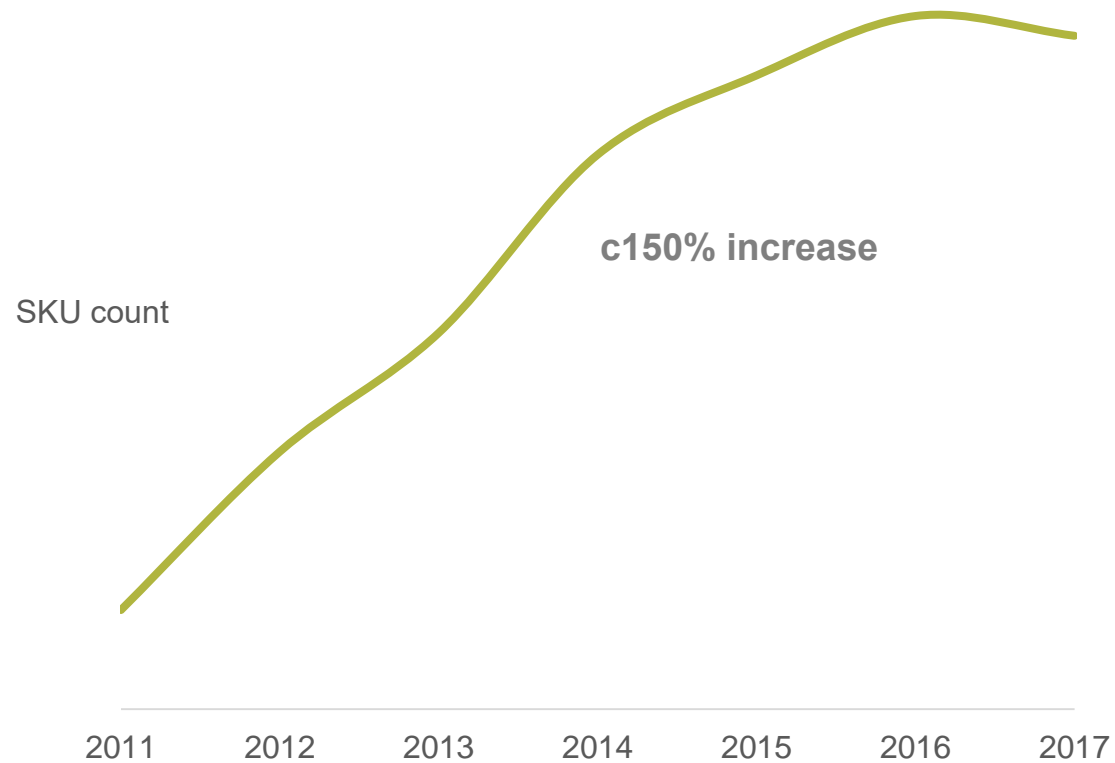
# Our virtuous cycle drives the group



Underpinned by our proprietary Technology

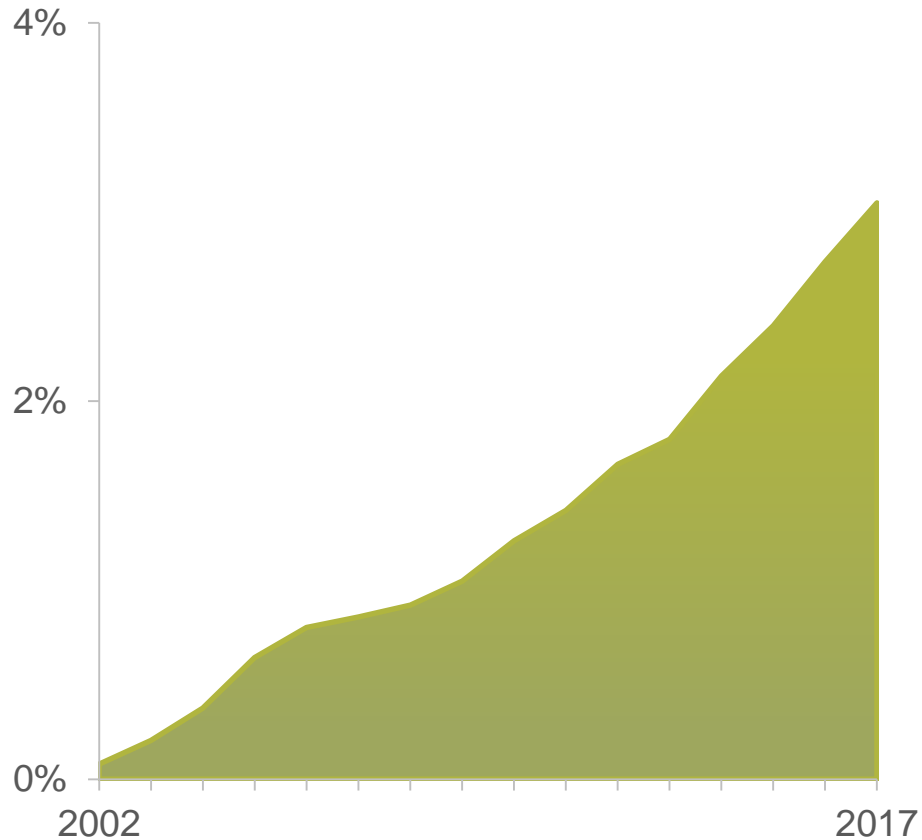
# We have invested in our proposition

Extending our range and slot availability...

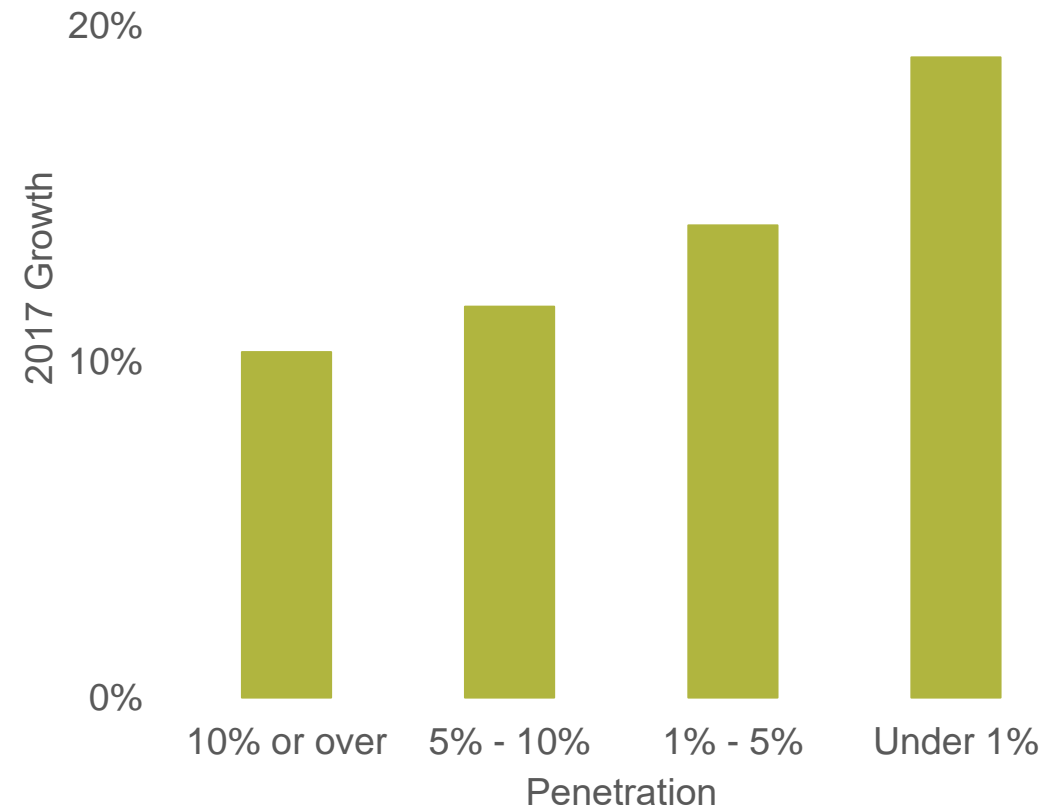


# The business has real momentum

## UK household penetration is increasing<sup>1</sup>



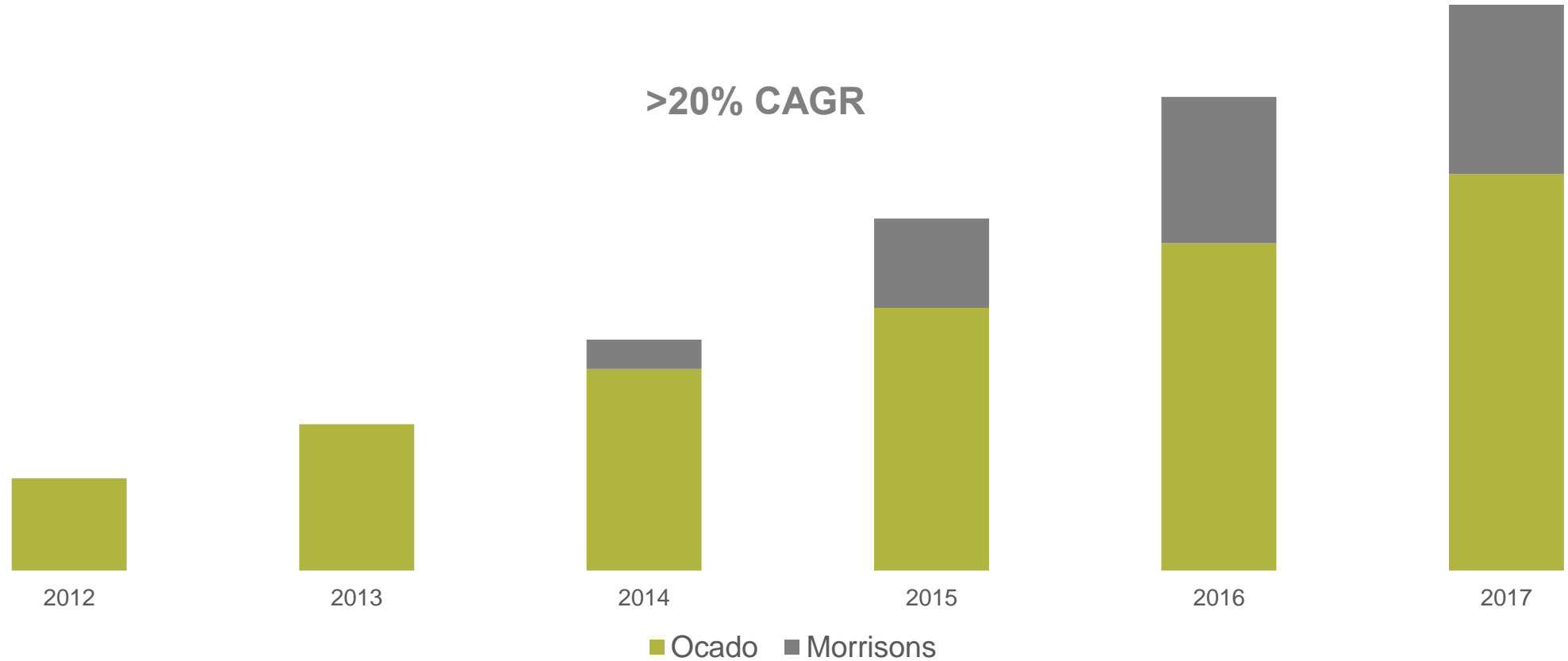
## We are growing in all catchment areas





# Our platform has real momentum

Sales through our platform are accelerating





# Recent deals validate our platform internationally



“We think credit is due to Jean-Charles Naouri and team, recognizing the potential of the OSP to leapfrog the capabilities of its competitors, providing a superior customer experience and better economics, initially in the strategic Paris market and in other large cities thereafter.”

*Analyst commentary*

“French retailer Groupe Casino has unveiled a deal with UK online grocer Ocado that it hopes can help it steal a march on rivals and steer a change in French consumer behaviour in its home market.”

*National press*

“Sobeys intends to play to win in Canadian online grocery shopping. We are very excited to bring this best-in-the-world grocery ecommerce experience to Canadian customers.”

*Michael Medline - President & CEO - Sobeys*

# Financial Review

Duncan Tatton-Brown,  
CFO



# Financial Summary

		FY16	FY17 <sup>1</sup>	Var %
Revenue	Retail	1,172	1,317	12.4%
	Solutions	99	116	16.2%
	<b>Total</b>	1,271	1,433	12.7%
EBITDA <sup>2</sup>	Retail	75.8	79.2	4.5%
	Solutions	5.5	2.7	(50.9)%
	Other	3.0	2.4	(25.0)%
	<b>Total</b>	84.3	84.3	0.0%
	Net Interest	(9.5)	(13.5)	
	Depreciation	(60.3)	(71.0)	
	<b>Profit before tax</b>	14.5	(0.5)	

1. Calculated on a 52 week basis

2. EBITDA excludes exceptional items

©2018 Ocado Group plc. All rights reserved.

# EBITDA Summary

	Retail			Solutions		
	FY16	FY17 <sup>1</sup>	Var %	FY16	FY17 <sup>1</sup>	Var %
Revenue	1,172	1,317	12.4%	99	116	16.2%
Operating contribution	117.4	124.8	6.3%	22.7	28.5	20.5%
Administrative cost <sup>2</sup>	41.6	45.6	9.7%	17.2	25.8	50.0%
<b>EBITDA<sup>3</sup></b>	<b>75.8</b>	<b>79.2</b>	<b>4.5%</b>	<b>5.5</b>	<b>2.7</b>	<b>(50.9)%</b>

1. Calculated on a 52 week basis

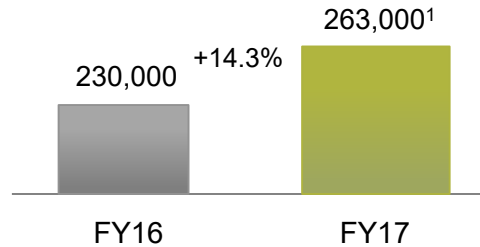
2. Administrative costs exclude depreciation, amortisation and marketing costs

3. EBITDA excludes exceptional items

# Retail metrics continue to improve

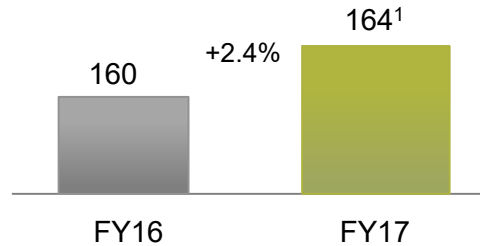
## Order Volumes

Orders per week



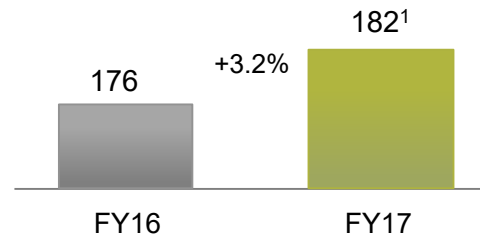
## Mature CFC Efficiency (UPH)

Units per hour of labour



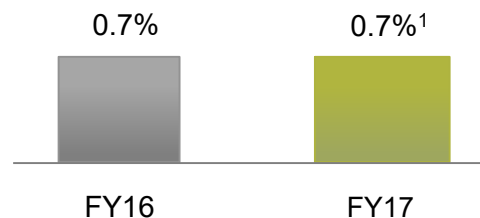
## Delivery Efficiency (DPW)

Drops per Van per week



## Wastage

% of Sales



- Ocado.com basket down 0.8%<sup>1</sup>
- Total basket down due to strong GM growth
- Extra capacity from mature CFCs plus Andover ramp

- Dordon regularly exceeding 180 UPH
- Future gains from new CFCs

- Increasing customer density
- Improvements to routing algorithms
- More Sunday deliveries

- Maintained industry leading levels
- Targeting mature CFC waste at 0.5%

1. Calculated on a 52 week basis



# Retail operating contribution<sup>1</sup>

	FY16 (% retail revenue)	FY17 <sup>2</sup> (% retail revenue)	Var (bps)
Gross margin	28.7%	28.8%	0.1
Supplier income	3.3%	3.5%	0.2
Trunking and delivery costs	(12.2)%	(12.5)%	(0.3)
CFC costs	(7.9)%	(8.5)%	(0.7)
Other operating costs	(0.8)%	(0.7)%	0.1
Marketing costs	(1.0)%	(1.0)%	--
<b>Operating contribution</b>	10.1%	9.5%	(0.6)
Admin costs	3.6%	3.5%	0.1
<b>EBITDA</b>	6.5%	6.0%	(0.5)

1. All numbers rounded to 1 decimal place which may distort totals

2. Calculated on a 52 week basis

©2018 Ocado Group plc. All rights reserved.

# Capital expenditure<sup>1</sup>

	FY16 (£m)	FY17 (£m)
Mature CFCs	7	5
New CFCs	65	70
Delivery	21	16
Technology development	34	43
Fulfilment development	20	16
Other	10	11
<b>Total</b>	<b>157</b>	<b>160</b>

1. Capex includes assets leased from MHE JV Co under finance lease arrangements



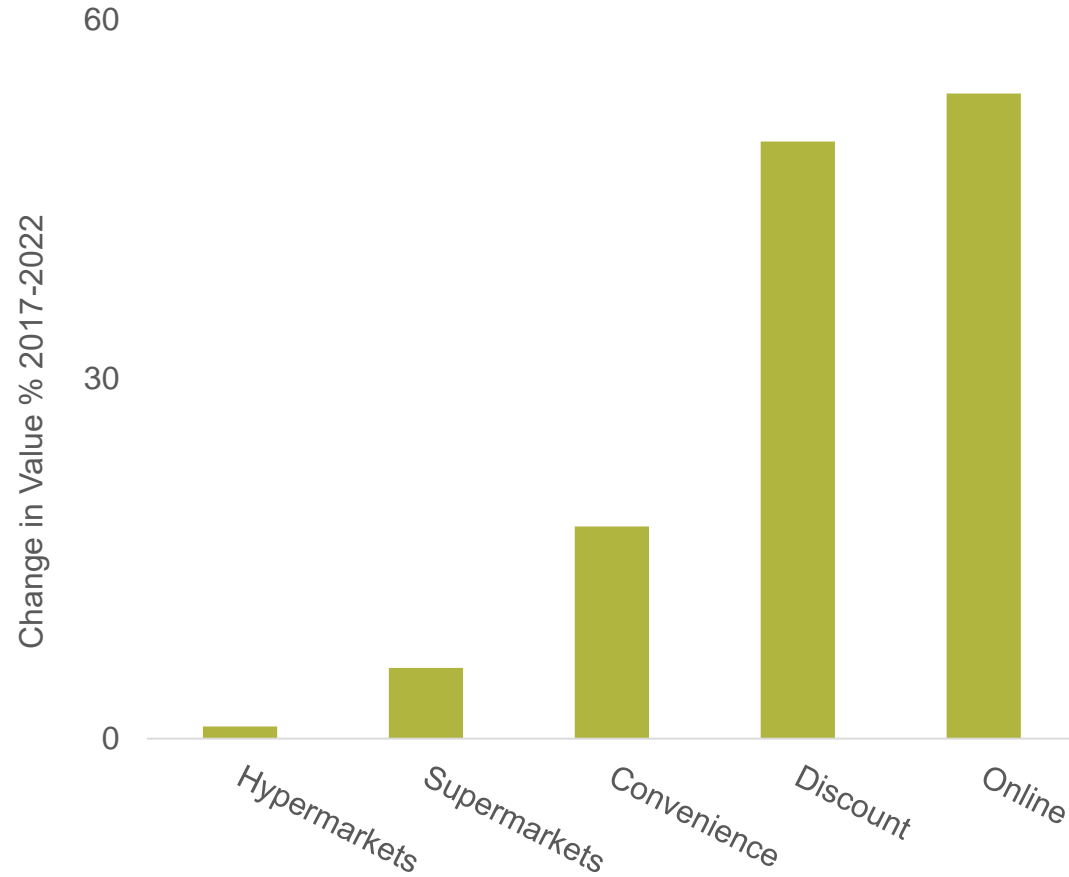
## 5 key factors driving growth

Tim Steiner, CEO  
Duncan Tatton-Brown,  
CFO

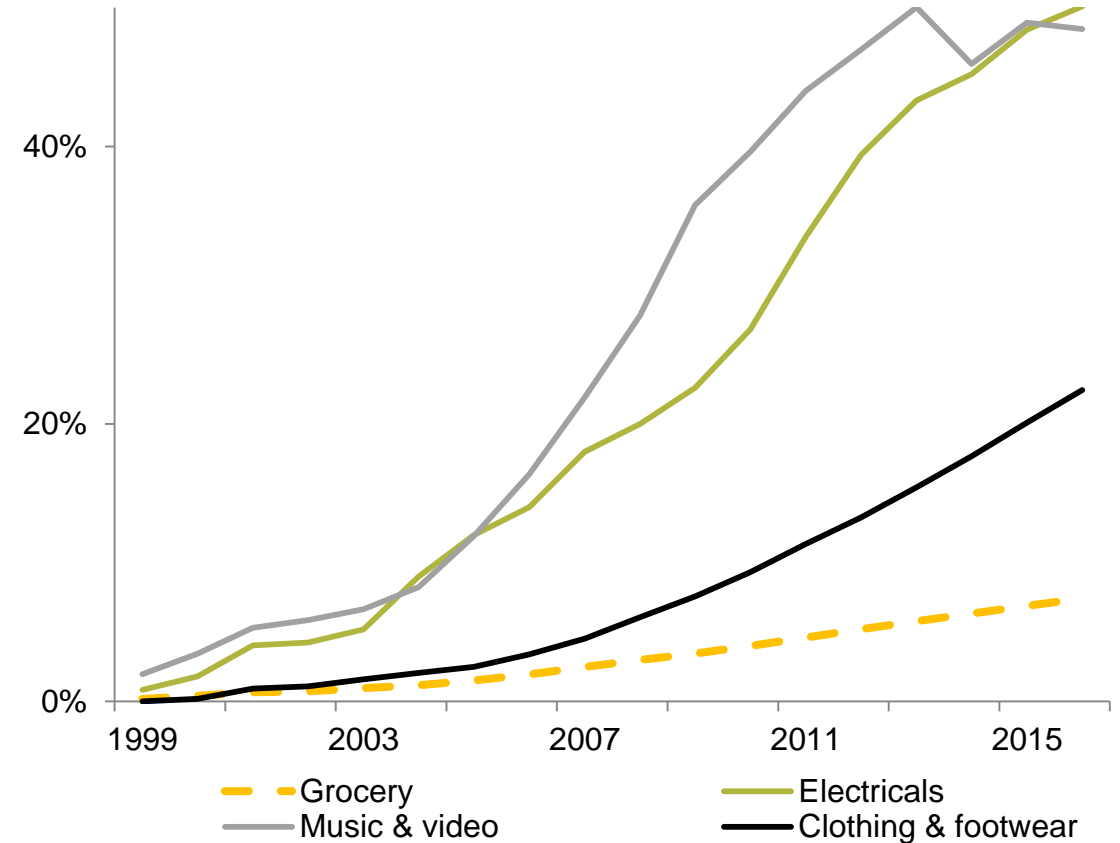


# There is big latent demand for grocery online

The online channel is the fastest growing segment in UK retail<sup>1</sup>...



...But online grocery penetration is far behind other retail categories<sup>2</sup>



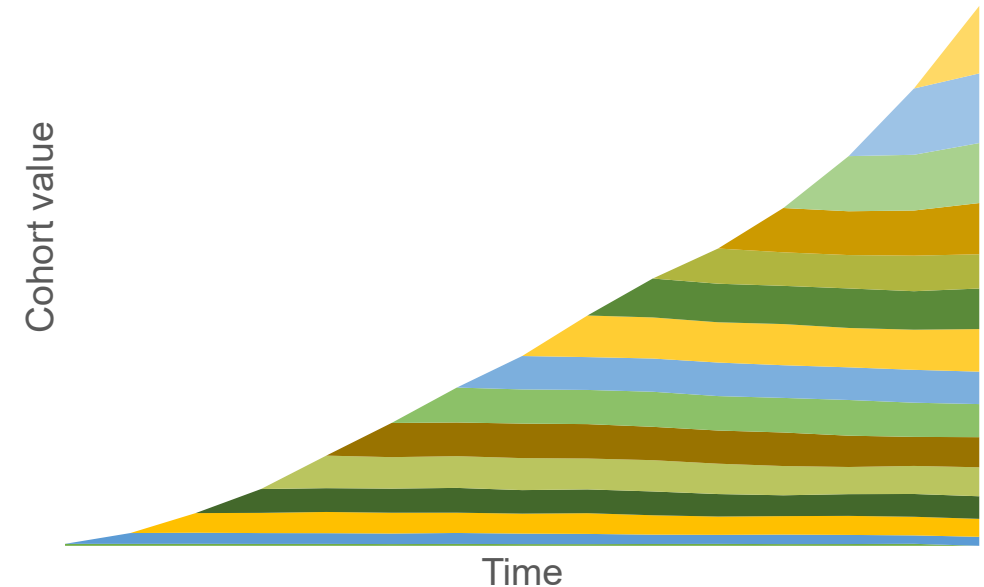
There are also significant growth opportunities internationally...

# Our customers are very valuable

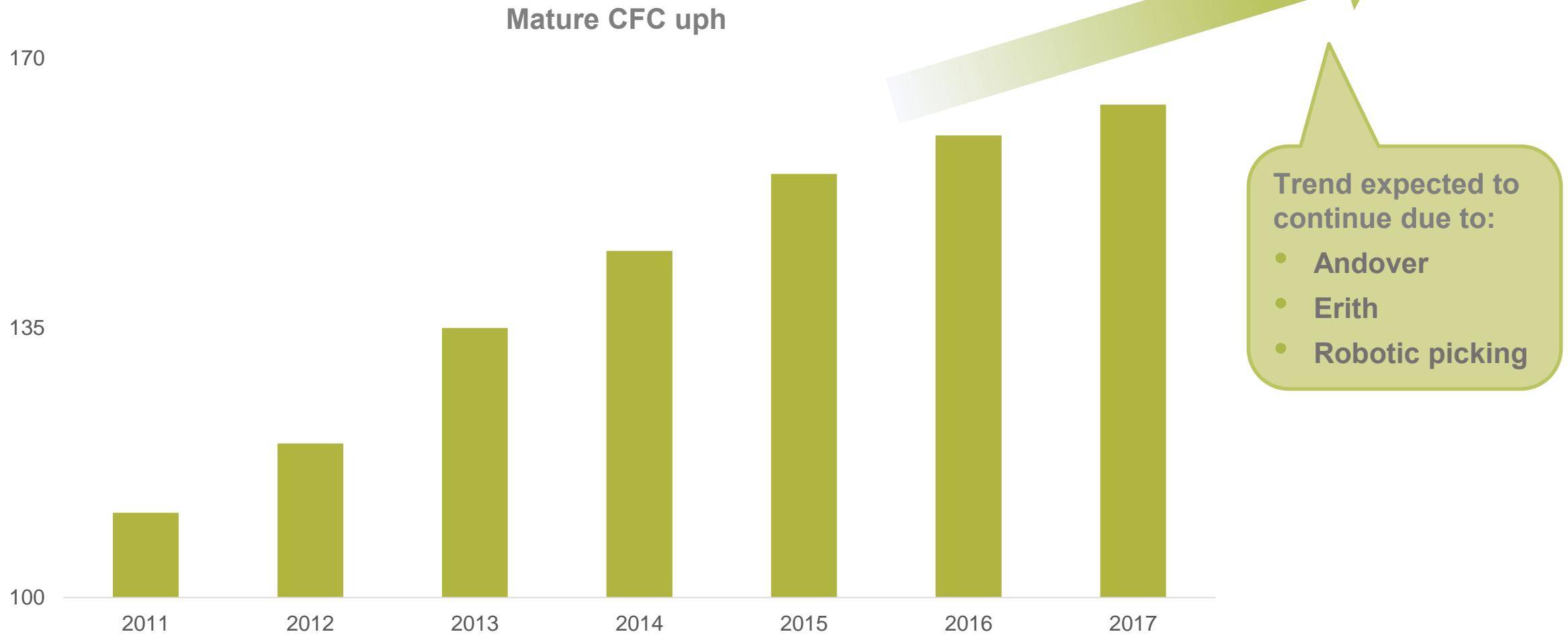
We recoup our acquisition costs quickly...

...and our customers are very loyal

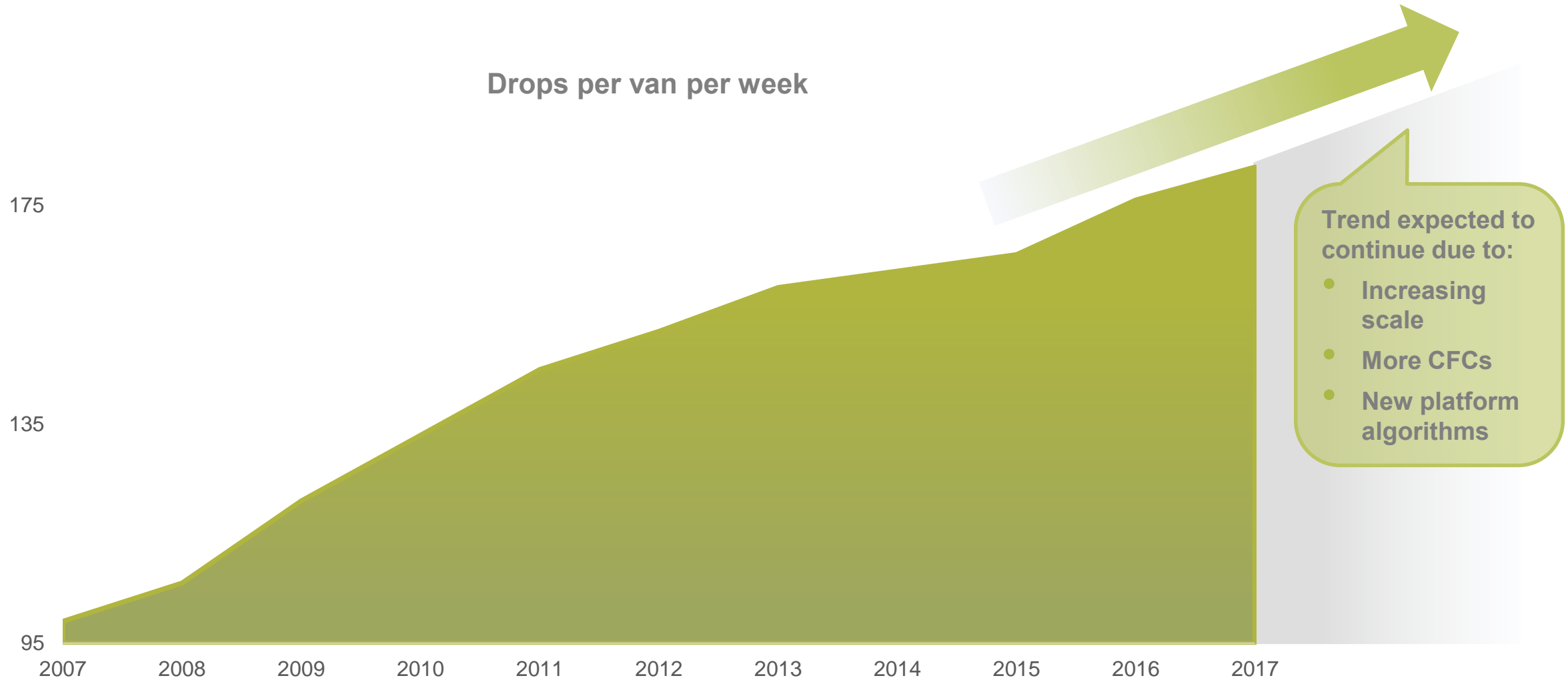
Typical cost to acquire a customer	£20 - £40
Average annual customer spend	>£2,000
Current operating contribution	>£200
<b>Payback period</b>	<b>6-12 months</b>



# Technology innovation drives better operating metrics

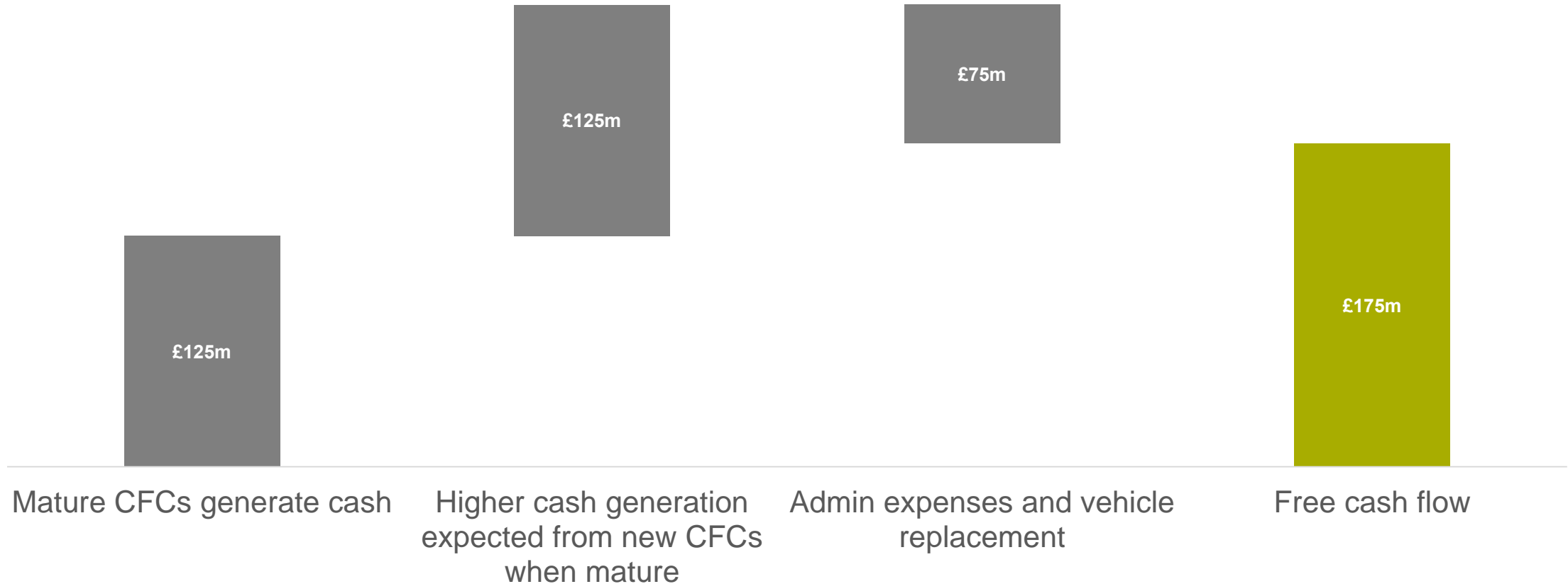


# Technology innovation drives better operating metrics






# Our retail business is highly cash generative

CFCs expected to generate nearly £175m of cash flow at maturity



# As our Solutions business scales, we earn higher fees and can generate better returns

		Incremental costs			
		Interfaces	Training	Build	Support
	More capacity utilized per CFC	-	-	✓	✓
	More CFCs per partner	-	-	✓	✓
	More partners	✓	✓	✓	✓
		 Some incremental costs for Ocado		 Larger incremental costs for Ocado	

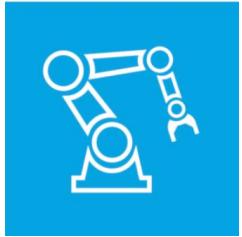


# 2018 and beyond



# Investing for growth

## Investing to innovate and improve our economics



Robotics

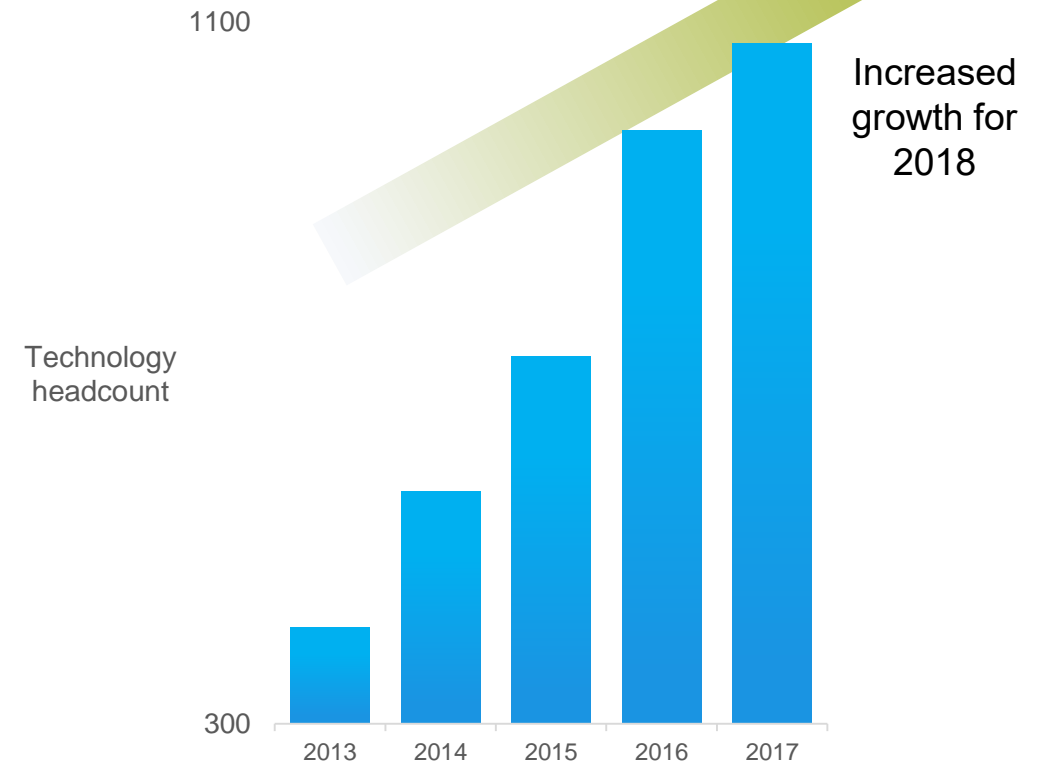


Artificial Intelligence



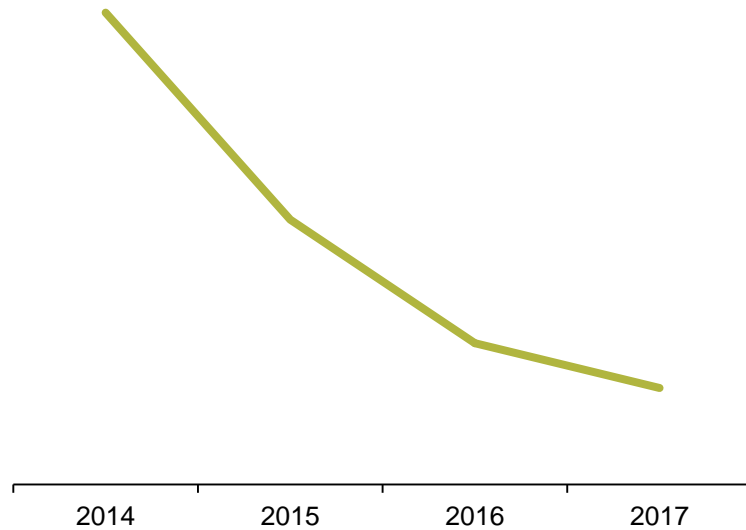
Fulfilment development capabilities

## Investing in our technology capabilities

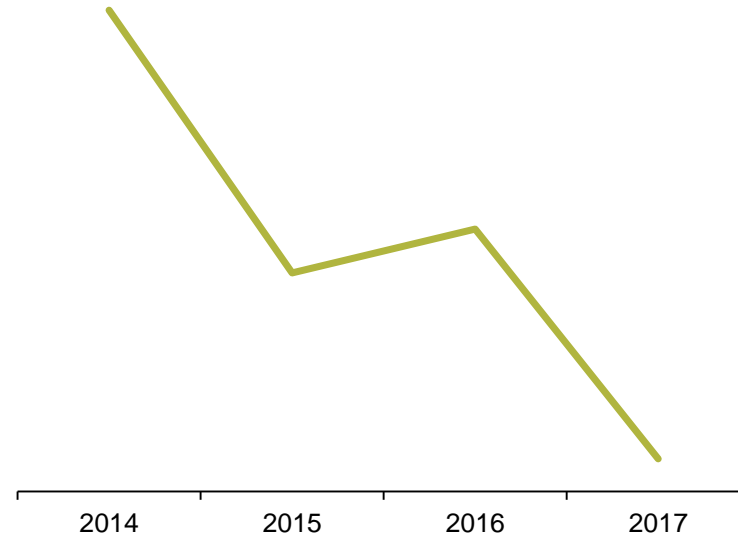


# The dilutionary impact of opening new CFCs

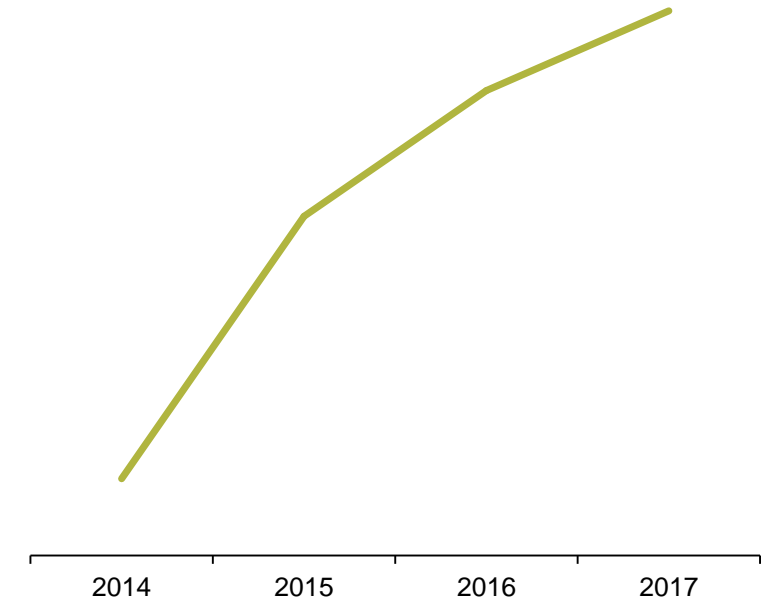
Dordon CFC fixed costs as a % of Sales



Dordon wastage as a % of sales



Dordon overall UPH



**2018 Erith impact on EBITDA of £10m**

# Capital expenditure guidance<sup>1</sup>

	FY17 (£m)	FY18 (£m)
Mature CFCs	5	5
New CFCs	70	70
Delivery	16	25
Technology development	43	60
Fulfilment development	16	20
Solutions	-	20
Other	11	10
<b>Total</b>	<b>160</b>	<b>210</b>

1. Capex includes assets leased from MHE JV Co under finance lease arrangements

# Fundraising – Use of Proceeds

- Ocado Solutions' tech platform has been validated internationally
- The Board is looking to build on momentum and increase the number of further Ocado Solutions partnerships over time
- Typical single CFC deal has expected £30m peak cash outflow
- The 5% Placing will facilitate signing of new Solutions partnerships globally, commitment to associated investment capex and by increasing tech engineering and software capabilities
- Also allows investment to step up capacity at both Erith and Andover
- Time is right to accelerate our growth opportunities and drive scale

# Conclusion

- Our role in the disruption of online grocery is now coming into focus
- Recent international deals validate our platform
- Our deal momentum is building
- The opportunity is now – we need the right resources to drive and capture growth
- Market opportunity is huge, as is our ambition



## Q&A





# Statutory cash flow

	FY16 (£m)	FY17 (£m)
EBITDA	84.3	86.0
Working capital movement	18.5	31.0
Exceptional items	(1.7)	(0.3)
Other non-cash items	4.9	4.2
Finance costs paid	(9.1)	(14.1)
Operating cash flow	<b>96.9</b>	<b>106.8</b>
Capital investment	(123.9)	(169.4)
Increase in net debt/finance obligations	22.2	152.4
Proceeds from share issues	1.1	1.5
Other investing and financing activities	8.8	7.8
<b>Increase in cash and cash equivalents</b>	<b>5.1</b>	<b>99.1</b>