



Ocado Group plc
1H20 Results

14th July 2020

Forward-looking statements

DISCLAIMER

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The Chairman's Overview

Lord Rose



Financial Review

Duncan Tatton-Brown
CFO



Ocado Group senior engineer with Groupe Casino colleague
Fleury Meurogis CFC, France

Financial Summary

	£m	1H 2020	1H 2019	Var (%)
Group Revenue		1,086.8	882.3	23.2%
Group EBITDA		19.8	30.7	(35.5)%
Depreciation, amortisation, impairment		(76.6)	(65.0)	17.8%
Net Interest		(22.9)	(14.2)	61.3%
Loss before tax		(79.7)	(48.5)	64.3%
<i>Exceptionals</i>		39.1	(99.0)	
<i>Loss before tax post exceptionals</i>		<i>(40.6)</i>	<i>(147.4)</i>	

- Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax. The recharge of costs to our UK Solutions clients and International Solutions clients are also included in revenue with the exception of recharges to Ocado Retail which are eliminated on consolidation
- EBITDA excludes exceptional items. Group EBITDA in 1H20 includes the EBITDA impact of IFRS 16 of £13.8m (1H19 £12.6m)

Segmental Summary

	Revenue ¹			EBITDA ²		
£m	1H 2020	1H 2019	Var %	1H 2020	1H 2019	Var %
Retail	1,021.6	803.2	27	45.7	24.4	87
UK Solutions & Logistics	320.4	293.9	9	29.3	40.8	(28)
International Solutions	1.6	0.3	433	(45.1)	(23.7)	90
Other ³	0.1	8.3	(99)	(10.4)	(11.0)	5
Total	1,086.8	882.3	23	19.8	30.7	(36)

- Strong underlying trading performance, comparatives impacted by Andover fire and M&S JV set up

1. Group totals include eliminations

2. EBITDA excludes exceptional items and includes the impact of IFRS 16

3. Other segment represents revenue and costs which do not relate to the other three segments. This includes Board costs, the results of the Fabled business that was divested during FY19 and the consolidated results of Jones Food Company

Cash fees show progress building International Solutions

	1H 2020 £m	1H 2019 £m	Var %
Revenue	1.6	0.3	433
EBITDA	(45.1)	(23.7)	(90)
Fees invoiced	73.7	46.6	58%

- Revenue commencing as CFCs in France and Canada go-live towards the end of 1H 20
- Cumulative unrecognised cash fees of £219m
- Growth in costs to support accelerating client requirements

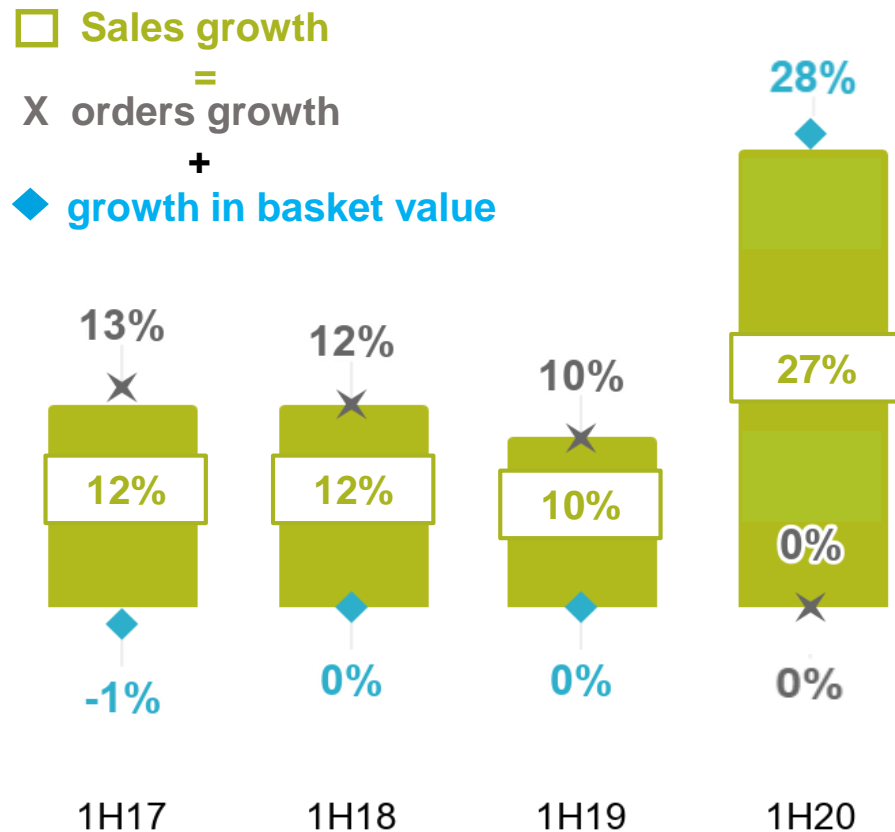
UK Solutions: Client growth strong

	1H 2020	1H 2019	Var %
Revenue	320.4	293.9	9
EBITDA	29.3	40.8	(28)

- Client volume growth strong
- Revenue growth reduced due to Andover impacts (Erith “holiday” and reduced store pick fees)
- EBITDA decline
 - Andover revenue impacts
 - IFRS 16 adjustment
 - Extra investment in platform
- Continued reduction in engineering costs per order for OSP solution

Ocado Retail: COVID-19 impact on demand

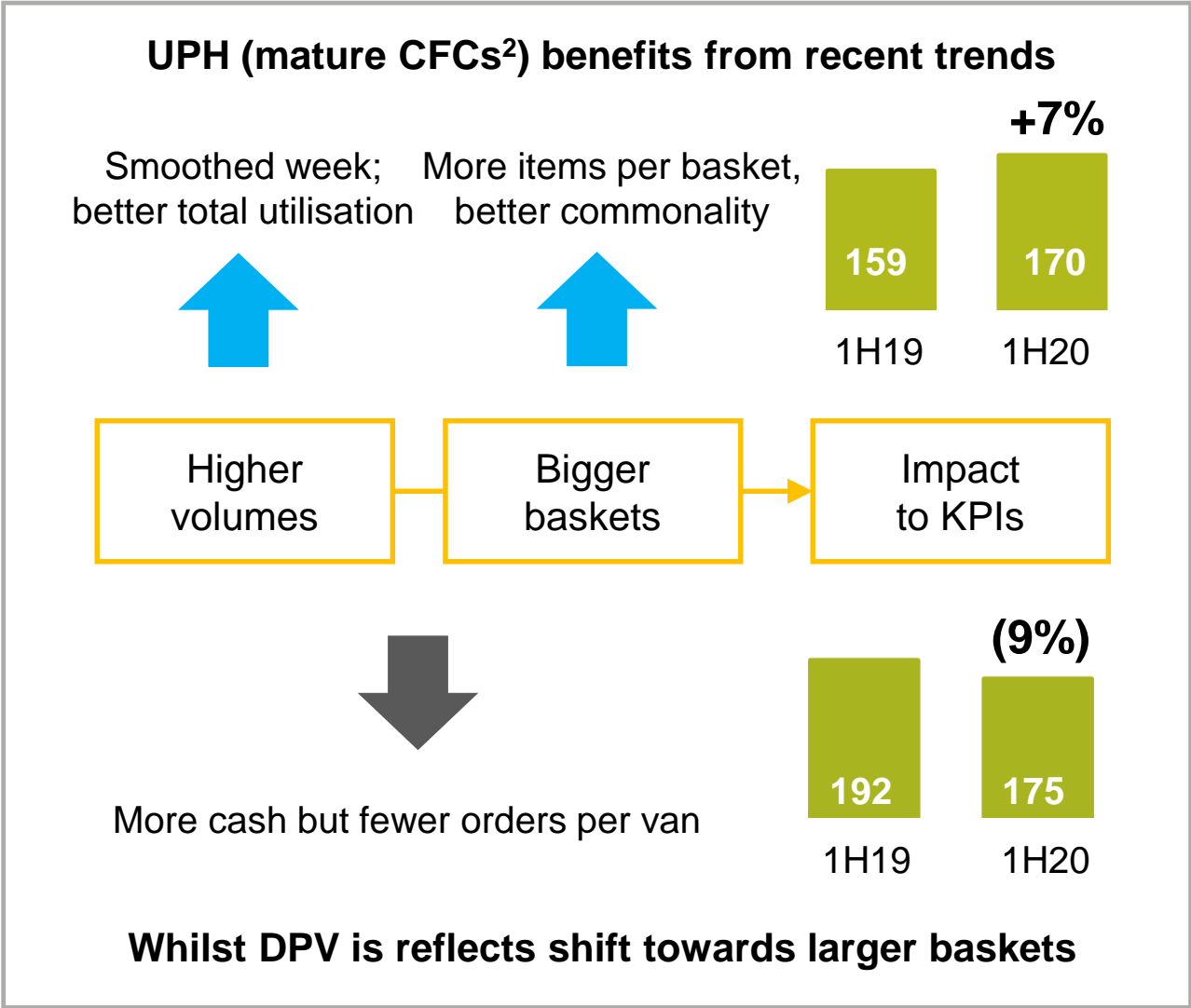
Customer behaviour change driving impacts



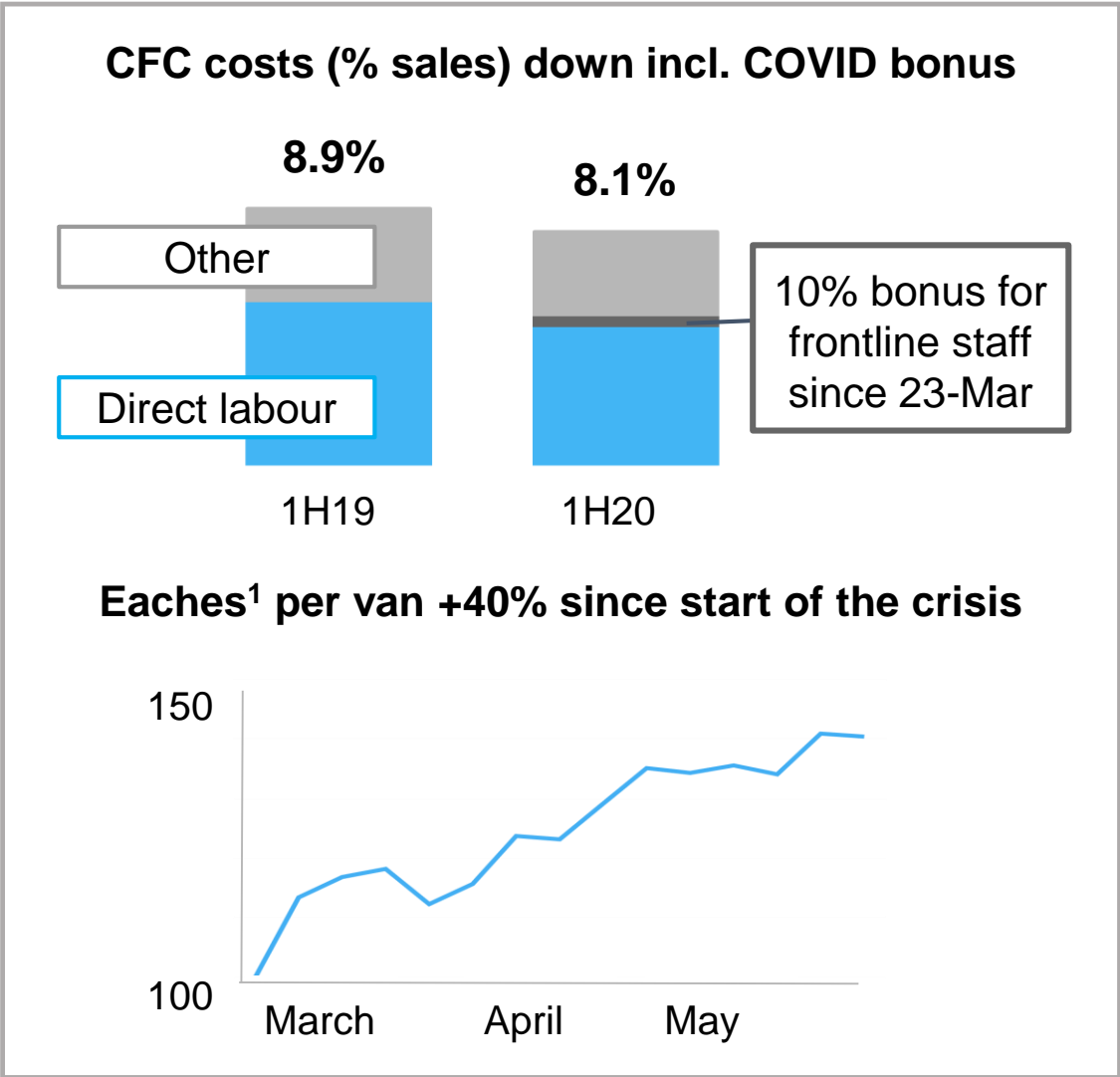
- Demand in excess of capacity
- Limited ability to serve new customers but demand is there
- Bigger baskets and less frequent orders
- Remained price competitive, margins down

Ocado Retail: COVID-19 impact on operations

Change in customer behaviour impacts KPIs



Increased volumes drive efficiencies



Note: (1) An each is an individual unit of product (2) units dispatched from the CFC per variable hour worked by Hatfield CFC, Dordon CFC and Erith CFC operational personnel
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Ocado Retail performance

(% Retail Revenue)	1H 2020 ¹	1H 2019 ^{1,2}	bps		
Gross margin (incl. media)	32.0	33.0	(100)	→	Remained price competitive
Trunking and delivery costs	(11.1)	(12.0)	90	→	Continued underlying progress, Erith now above average UPH; extra benefits overall from customer behaviour during COVID-19 crisis
CFC costs	(8.1)	(8.9)	80	→	
Other operating costs	(0.7)	(0.7)	(0)		
Marketing costs	(1.1)	(1.2)	10		
Fees	(3.2)	(4.0)	80	→	Leverage benefit
Operating contribution	7.9	6.2	170		
Admin costs	(3.4)	(3.2)	(20)		
EBITDA	4.5	3.0	150		

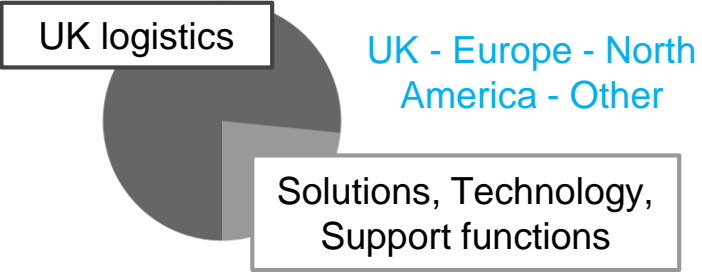
1. Excluding exceptionals.

2. The costs of Ocado Retail's operation in 2019, prior to the formation of the joint venture with M&S, have been allocated between the Retail Segment and UK & Logistics segment in order to be broadly comparable to the current contractual arrangements now in place

Our people are essential to our commercial and financial success

Prioritising our colleagues

17k employees; diverse locations, roles and responsibilities



UK logistics

UK - Europe - North America - Other

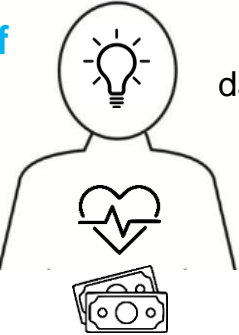
Solutions, Technology, Support functions

Requiring a fast, holistic approach to unique welfare challenges

Mind Yourself
global taskforce and initiative

70+
health & safety process changes

Sick pay
from day one






MHFAs
daily virtual drop in sessions

1st to
temp check at all sites & test staff

10% bonus
front line, globally

So we can be our best

Successfully maintaining wellbeing



+2% **-11%** **+9%**

‘mental temperature’ vs. start of crisis

Enables innovation and collaboration across the business at a crucial time

remote CFC oversight
mass VPN and network capacity and development of new systems

quick, targeted range optimisations
using data from fulfilment and order process

induction process virtual in one week
realising growth needs despite restrictions

free Rapid Router for the community
easy register, no coding experience needed

To deliver our best for stakeholders

Confidence in business unusual



Partners

Faster growth with better efficiency

Accelerated launch of new CFCs

No material delays to ongoing projects

Customers and community

Same great service for our loyal and vulnerable UK customers

#KeepKidsCoding outside the classroom

All

No compromise on investment for future growth or innovation

Strengthens outlook for sustained long term growth

Our capacity for resilience and innovation protects us in times of crisis, and is a key driver of sustained growth 12

Group net cash flow development

£m

Strong operating cash flow

FY19 Cash position 751

EBITDA 20

Working Capital 88

Contract Liabilities 60

Insurance proceeds 10

Finance costs + other (12)

- Increase in trade payables and accruals on higher throughput

Financial flexibility to capitalise on the full opportunity set over the medium term

Net debt/finance obligations 566

Capex¹ (192)

Insurance proceeds 10

Share issues 11

Other (12)

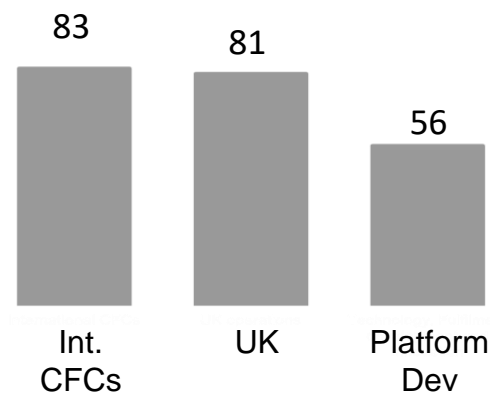
1H20 Cash position 1300

- £600m convertible issuance

- £1bn capital raise post period end

2307

Capex split¹



1. Variance is the difference between accrued capital expenditure and cash capital expenditure

Outlook for 2020

- Revenue growth:
 - Positive outlook for online grocery, Retail outlook suspended currently
 - UK Solutions & Logistics below Retail reflecting full year impact of Morrisons' "holiday" from Erith
 - International Solutions expected to be <£10m
 - International fees start to be recognised once operations commence
 - part year operations for Casino and Sobeys
- International Solutions fees invoiced > 40% growth
- EBITDA:
 - Retail above revenue growth, reflecting operational leverage
 - UK Solutions and Logistics to decline due to Morrisons' "holiday" from Erith, with insurance benefits recorded in exceptionals
 - International solutions to decline due to continued investment in build of the business and increased support costs with launch of initial CFCs
- Continued insurance receipts
- Capex forecast £600m

Ocado Group in a post COVID-19 world

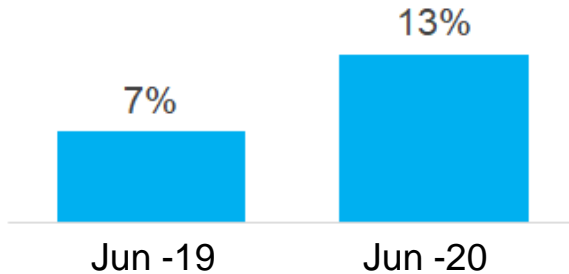
Tim Steiner
CEO



COVID-19: significant and permanent, global channel shift

Significant channel shift, globally

Online share of grocery almost doubled in a few months in the UK



This is a global trend:

6x level of online sales

Jun-20 vs Aug-19 in USA

triple digit yoy sales growth

major online grocery platforms during COVID-19 outbreak in China

Channel shift achieved despite constrained supply globally

We expect growth is sustainable

Customers expect to continue shopping online after the crisis

30%

UK consumers say they will shop more for groceries online

90%

US customers say they will continue online grocery shopping

56%

Chinese consumers shopping grocery online more often than before pandemic

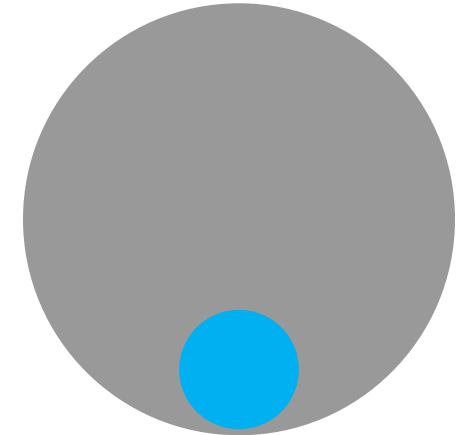
It is easier to acquire customers who have shopped online before

The opportunity is huge

Commitments for 54 CFCs¹ with large runway for growth

Partners with **£210bn** annual sales

Key markets worth **£2.8tn**



Opportunity expands as markets develop and technology improves

We believe we have seen a redrawing of the global landscape in online grocery



An extraordinary few months, an even bigger opportunity ahead

Melanie Smith - CEO, Ocado Retail

Ocado Retail: growing faster in the UK

27% 1H sales growth; expect sustained demand

1. IMPROVING CUSTOMER OFFER

Richer range with switchover to M&S Sept 1st

Ultimately >6k food lines (inc. 1k new developed products) and 1.6k Clothing & Home lines

More ‘nearer-to-customer’ missions with Zoom

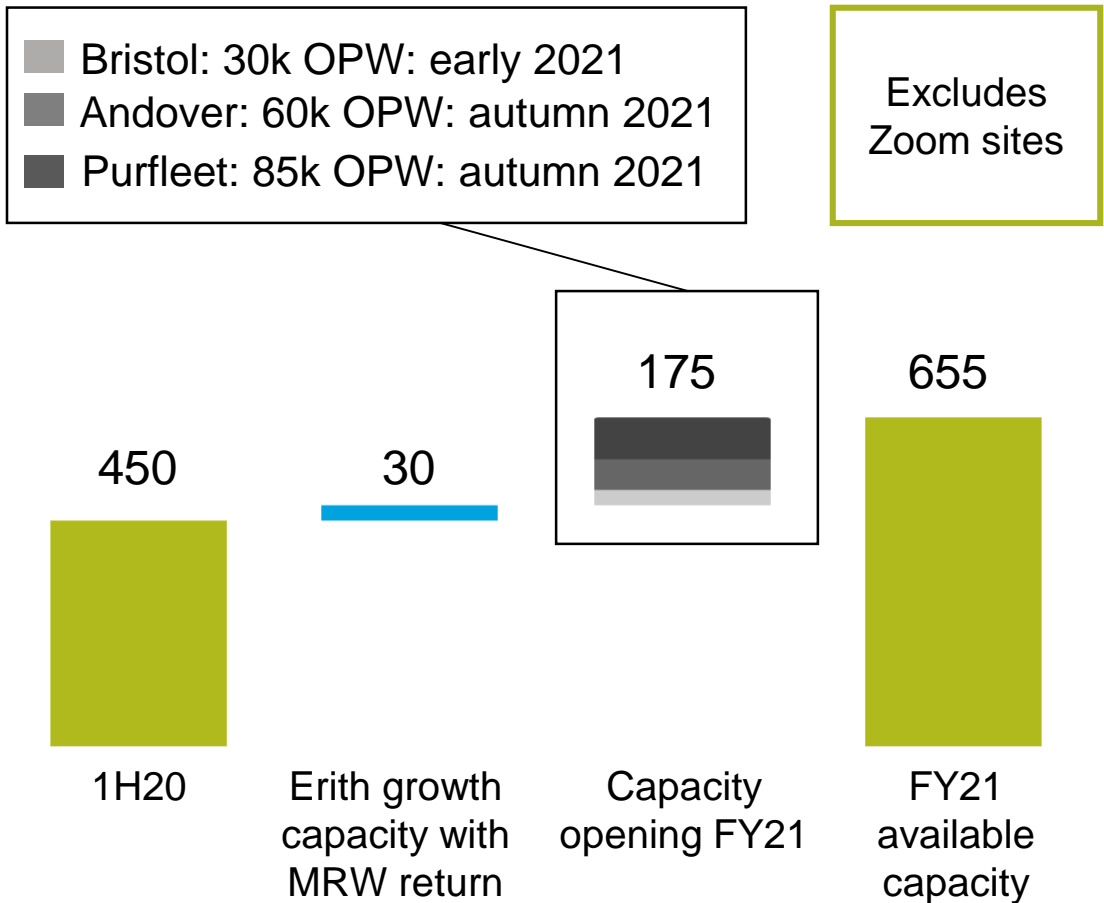
Progressing build of site in North London, with accelerated search for further sites

2. BIG POOLS OF NEW CUSTOMERS

Getting ready to open to new customers again

M&S customer base of 12 million in Food
UK population socialised to online grocery

Adding c40% more capacity over next 18 months



Ocado Retail is ready to seize the accelerated opportunity in online grocery in the UK

Source: Company information, M&S FY19 Results presentation, Joint Venture announcement presentation 2019
Note: 450k OPW in 1H20 calculated on 'normalised' pre-COVID basket of 45 items per order

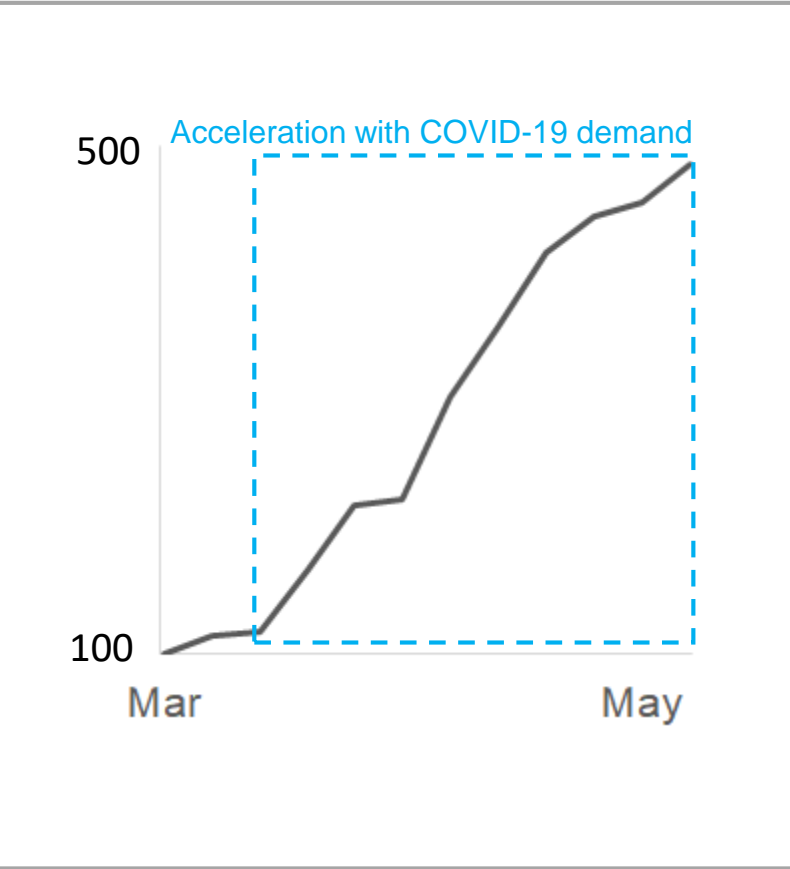


We've reached some big milestones and we're ready to go further, faster

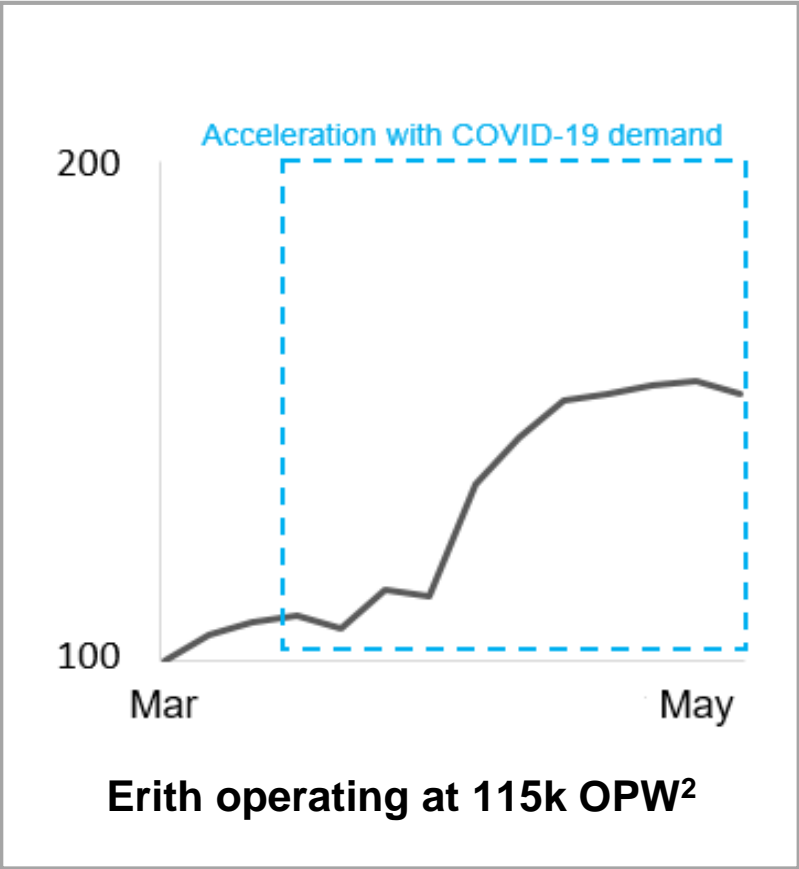
Luke Jensen - CEO, Ocado Solutions

Serving our partners' needs: providing more capacity faster

Partner store pick capacity
ramped 5x since March¹



Erith volumes up
almost 50% since March



Faster launch of partner CFCs

Sobeys 4Q announcement:
“The customer launch of Voilà was accelerated to meet the rapidly increasing online grocery demand from customers for home delivery. The Company will begin delivering to customers in June, in several areas of the GTA and will continue its phased rollout to customers across the GTA over the next several months.”

Groupe Casino on May 19th roll out:
“In order to meet demand, [Casino] even advanced this launch, initially scheduled for late June, and accelerated construction work on its Fleury-Mérogis warehouse (Essonne).”
(Interview with Le Figaro)

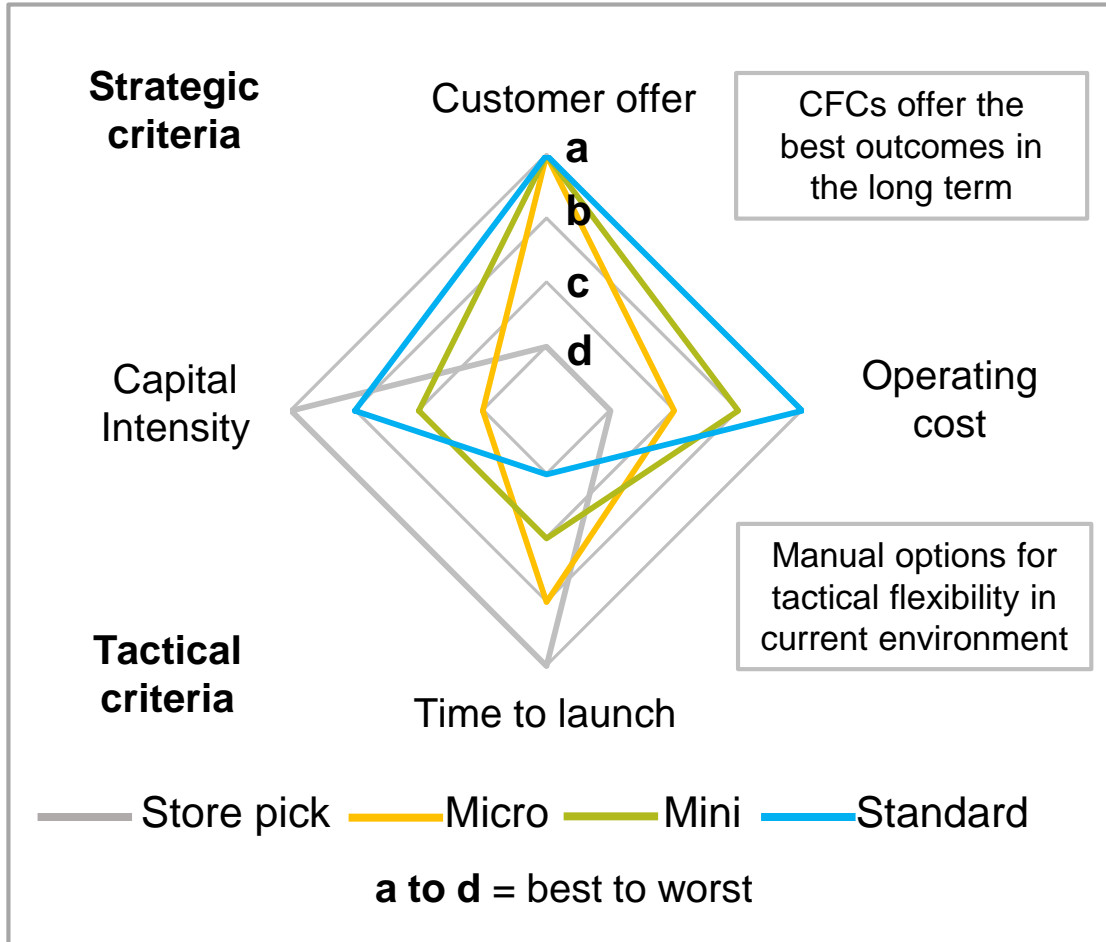
Now working on accelerating ramp

We have successfully accelerated for our partners, and continue to evaluate how we can go faster

Note: (1) reflects store pick volumes for Morrisons.com and Bon Preu (2) based on basket normalised to pre-COVID of 45 items
Sources: Company information, Sobeys 4Q announcement, Le Figaro: <https://www.lefigaro.fr/societes/monoprix-met-le-turbo-dans-l-e-commerce-20200518>
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Serving our customers' needs: flexibility with the OSP ecosystem

Multi format ecosystem offers long-term leadership across missions, with tactical flexibility



Retailers require flexibility; choice of format informed by missions, market and timeline

No one model serves all use cases

Shopping missions: big basket vs. immediacy

customers may pay more for a reduced offer in exchange for speed

Market specific overlays

e.g. density, wage rates, land and fuel costs, consumer preferences

Tactical versus strategic ambitions

Best for now isn't always best for the long term

The OSP ecosystem will fit and develop with the needs of the partner in their given market

This flexibility, across mission, market and time horizon is unique to the OSP model

Serving our partners' needs: a scalable, global supply chain

Strengthening our supply chain to support future growth

New partnerships planned with scaled, global leaders in contract manufacturing

flex®

JABIL

Whilst continuing to work with trusted, longstanding manufacturers

Enabling us to scale MHE production for partners, faster

Avoiding hardware bottleneck risk to global growth

Speed

rapid scaling to meet demand

Flexibility

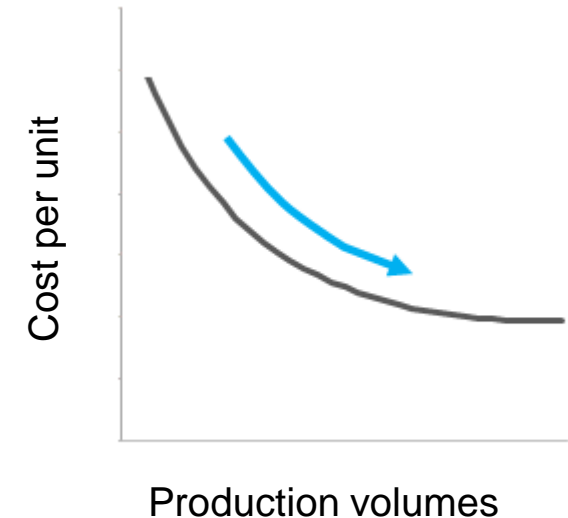
to serve future growth in OSP club

Proximity

regional manufacture if required

Which will also improve our total cost of ownership

Capital cost of assets should reduce with scale over time



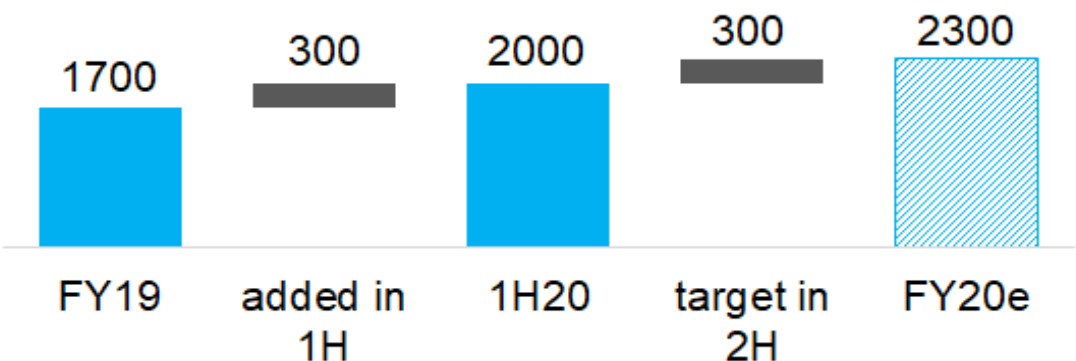
Benefits from scaled manufacturing and larger order sizes with growth

We will see start seeing the benefits of new partnerships from end FY20

Serving our partners' needs: investing for acceleration

A bigger tech team for faster development

Aim to hire 200 more colleagues to the Technology team in FY20 than originally planned



To improve our platform capabilities, faster

Ecommerce, Logistics & Supply Chain, Fulfilment
Handling Robotics, Retrieval Robotics

Secure - Reliable - Scalable - Maintainable

The implications of ramping more CFCs, faster

We have guided a c£30m net cumulative peak cash outflow for a 'standard CFC' in the year of launch:

Key assumptions:

- £350m of capacity at maturity
- 2 year preparation period before go live
- 3 year ramp to maturity

A faster ramp period means installing more capacity (MHE) sooner:



Cash position of £2.3bn enables us to capitalise on the full opportunity set over the medium term

We have the capital, human and financial, to go faster

Benefits of OSP leadership club

Scale gives us more resources
to realise partner ambitions

The club is large and growing

#2

by volume of global grocery sales

Scale brings more resource and
rationale to invest in innovation



With a strong multiplier effect

Reach adds global
insight to local strength

The club benefits from a global
view of consumer trends

#1

in terms of geographic reach
EMEA - NA - APAC

Whilst making the most of
partner strength in local markets

75%

of top 20 grocery markets are
dominated by local players

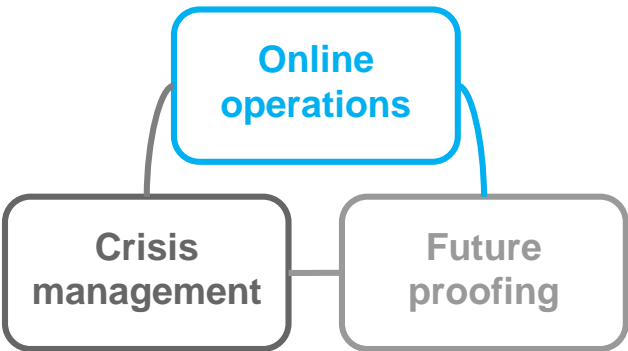
Collaboration compounds the
benefits of scale and reach

Geographic diversity facilitates
shared learnings between partners

quarterly

executive leadership meetings

To bring diverse experiences to
topics of shared importance



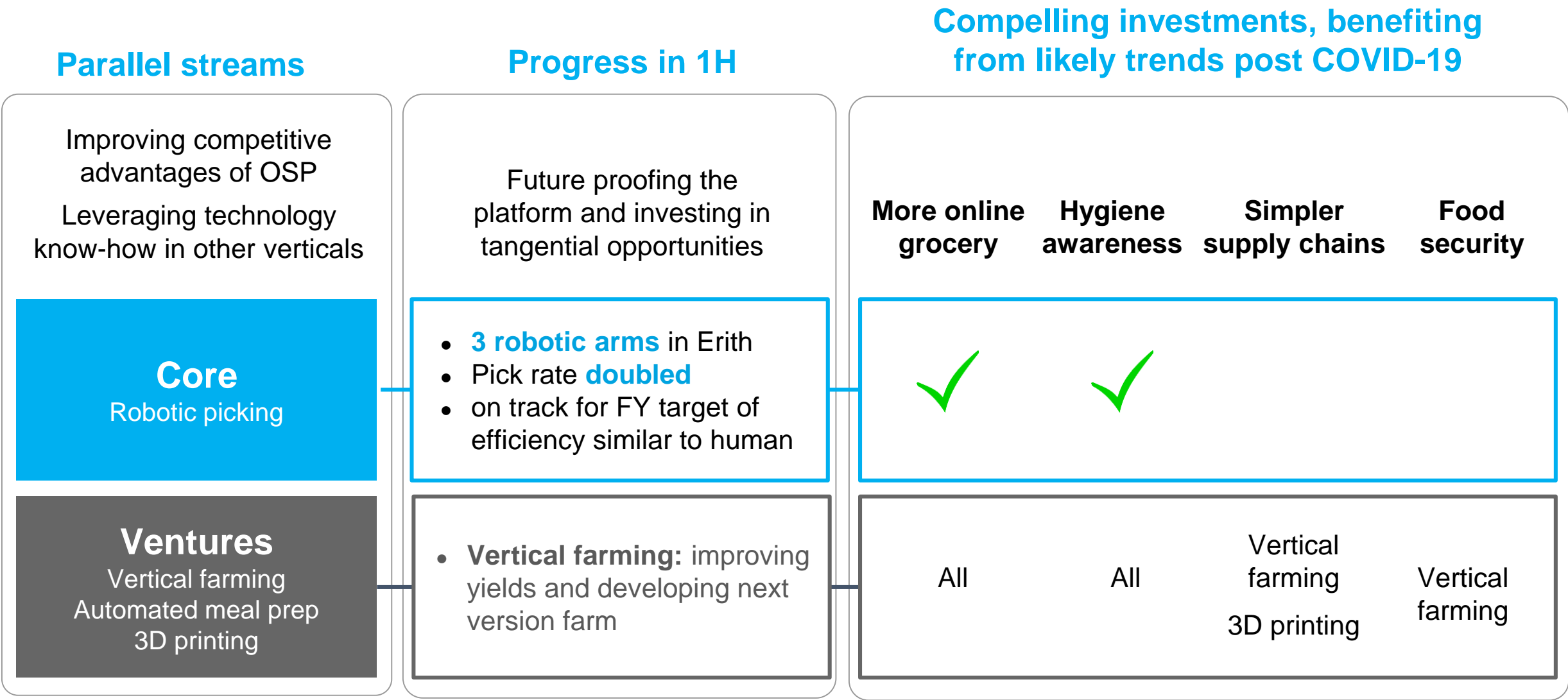
As the 'club' grows, the benefits are magnified



Continuous innovation; business as usual

James Matthews - CEO, Ocado Technology

Accelerating innovation



Innovation will see the opportunity set continue to evolve and expand

Conclusion

- The world has changed in grocery retailing for good
- Ocado Retail has shown that, even in times of crisis, it can deliver market-leading customer experience with strong and sustainable economics
- Ocado Group has prepared for greater velocity of execution and innovation. We are ready for the future
- Ocado has the financial capital to capitalise on the full opportunity set in the medium term

Q&A

Submit your questions via the 'Questions' tab on the portal



Tomatoes growing; Guggenheim 'Countryside' Exhibit
Infinite Acres, NYC, 2020