



Ocado Group plc Half Year Results

27th June 2011



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Highlights

- Gross sales increased 20.8% to £297m (2010: £246m)
- EBITDA increased by 78.7% to £14.3m (2010: £8.0m)
- Profit before tax of £0.2m (2010: £6.7m loss)
- New supply partnership with Carrefour
- Customer demand outstripping capacity
- Investing heavily in increasing our CFC1 operational capacity to enable continued growth and meet demand
- Significant progress in CFC2 build, progressing as expected

Improving service to customers

Building capacity to meet increasing demand



Agenda

Financial Review – Andrew Bracey

Business Review – Tim Steiner

Q&A



Andrew Bracey
CFO



Financial Highlights

- Gross sales increased 20.8% to £297m (2010: £246m)
- EBITDA increased by 78.7% to £14.3m (2010: £8.0m)
- EBITDA margin increased by 48.0% to 4.8% (2010: 3.3%)
- Operating profit of £2.4m (2010: £2.7m loss)
- Profit before tax of £0.2m (2010: £6.7m loss)
- Cash and cash equivalents, including treasury deposits, of £123.6m at end of period (28 November 2010: £154.6 million)
- Net cash of £49.4m (28 November 2010: £80.5 million)

The results for the 24 weeks ending 15 May 2011 are unaudited

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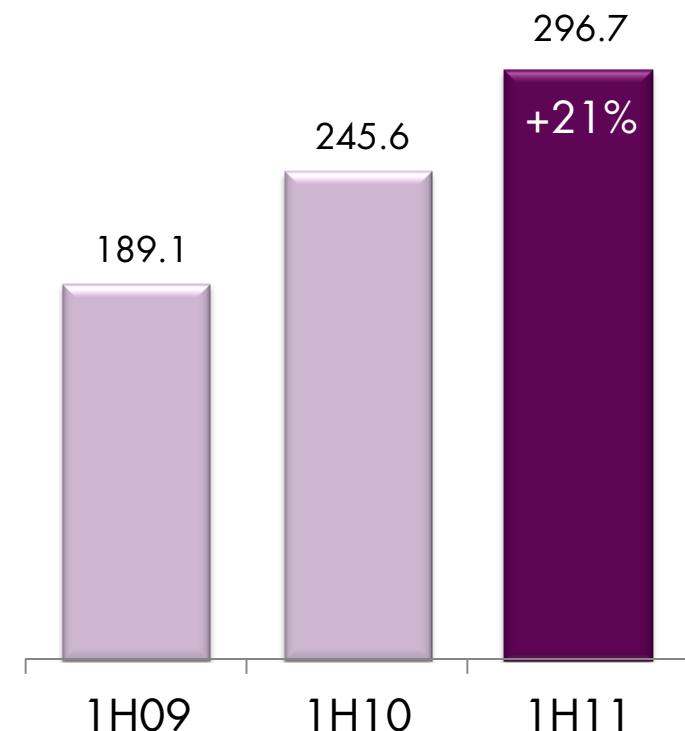
Operational Highlights

- Average orders per week increased by 22.6% to 108,350 (2010: 88,407)
- CFC1 capacity significantly increased to deliver at peak 124,000 orders per week
- Average order size decreased by 1.5% to £114.09 (2010: £115.77)
 - Average 'Ocado Delivery Pass' order size increased by 1.4%
 - Average non 'Ocado Delivery Pass' order remained unchanged
- Items delivered exactly as ordered were 98.0% in the period (2010 99.1%)
- Deliveries on time or early were 92.7% in the period (2010: 94.9%)

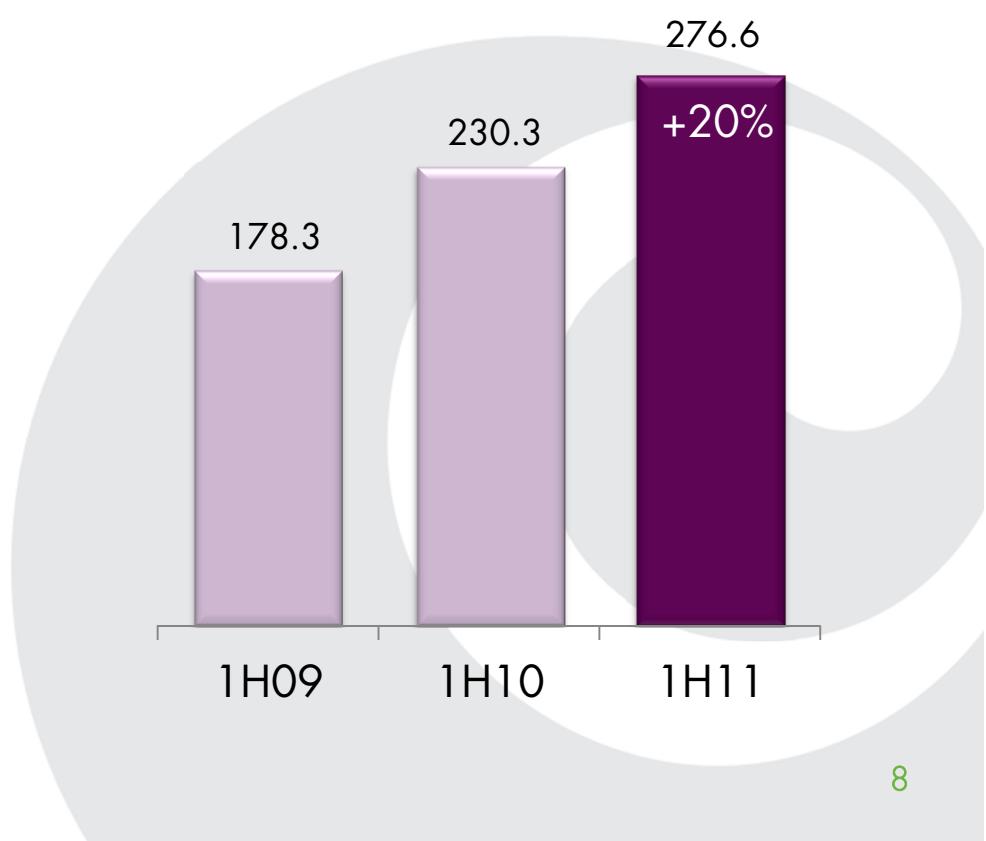


Sales

Gross Sales, £m



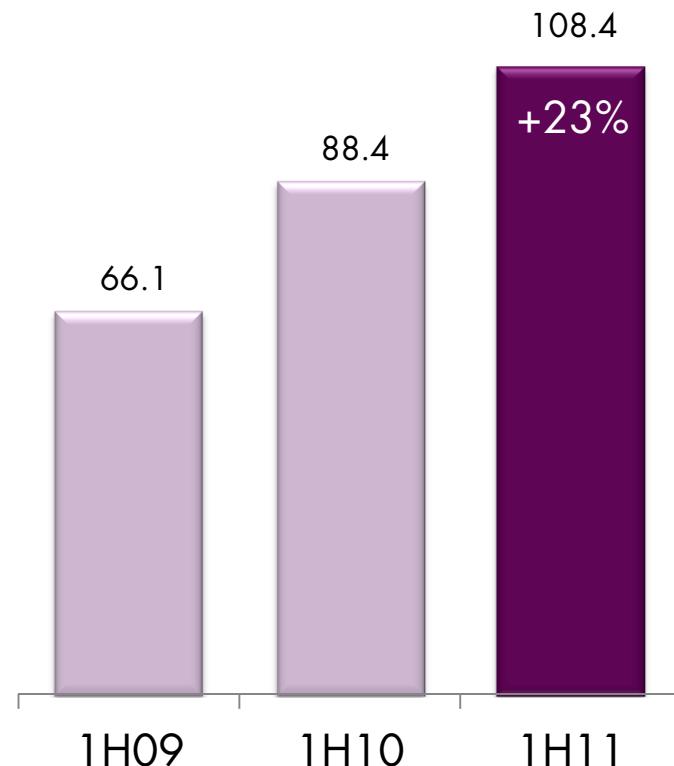
Net Revenue, £m



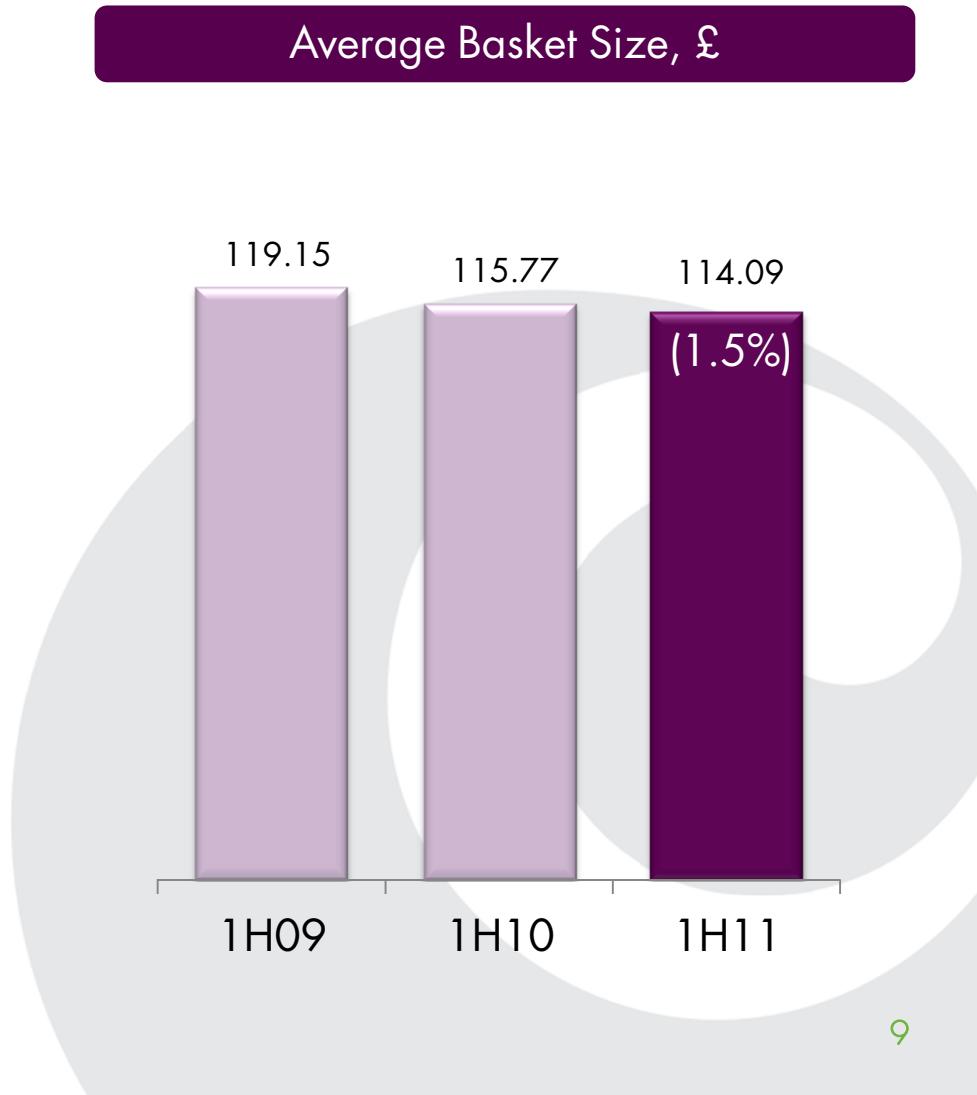


Sales drivers

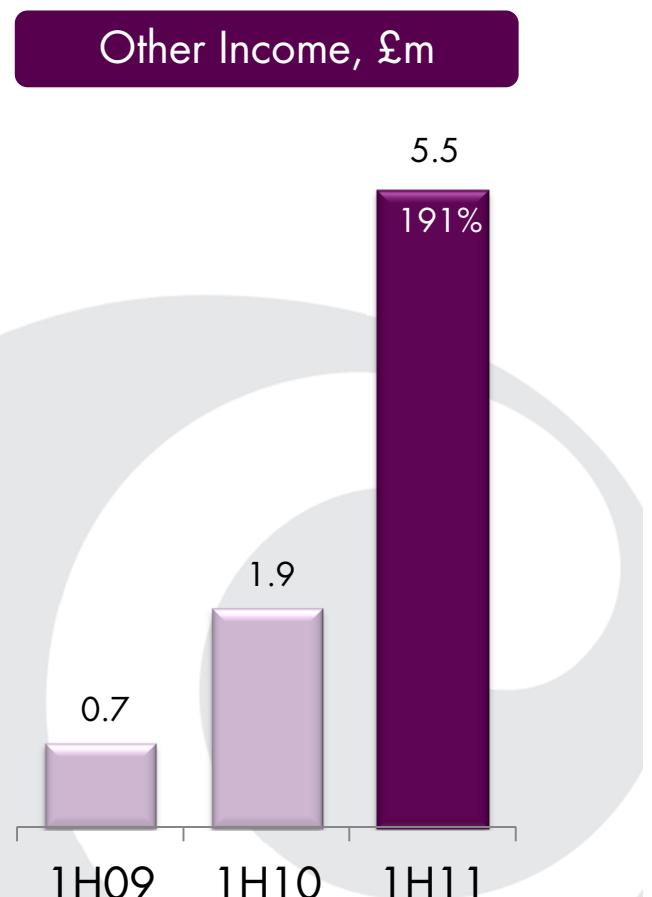
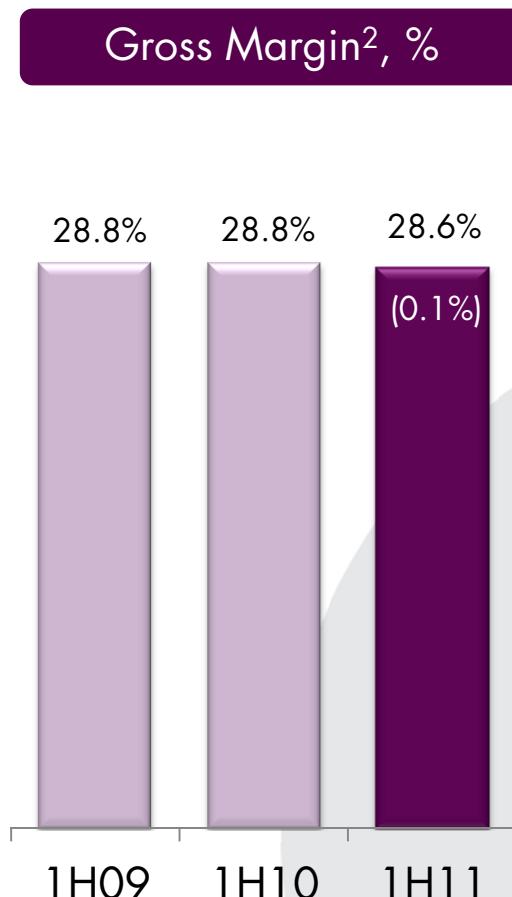
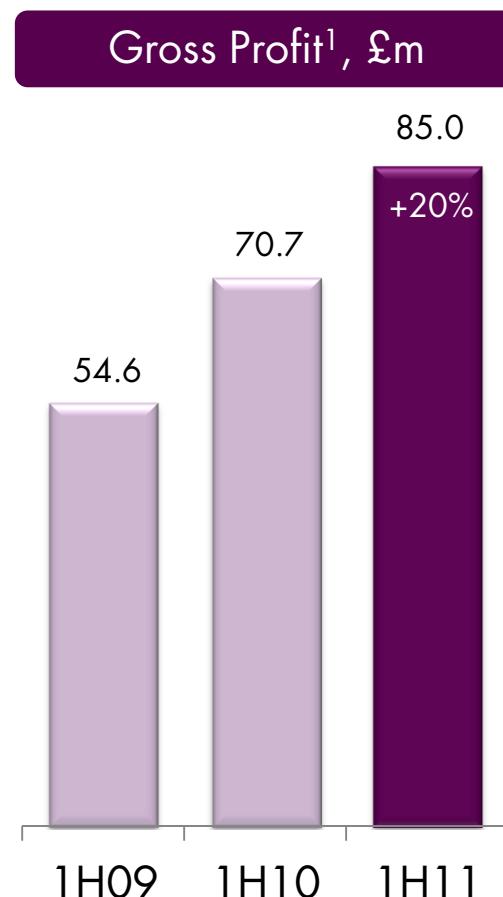
Average Orders Per Week, k



Average Basket Size, £



Gross profit



1) Gross Profit is defined as Revenue less Cost of Sales. Please see Appendix for definition of key income and cost lines.

2) Gross Margin is the ratio between Gross Profit and Gross Sales, the latter is defined as Revenue plus VAT plus Marketing Vouchers



Operating costs

	1H10 (£m)	1H11 (£m)	Growth
Trunking & delivery	27.9	31.6	13.5%
CFC	21.1	25.9	22.9%
Other operating costs	2.3	2.9	24.1%
Admin expenses	13.3	15.8	18.6%
Depreciation & amortisation	10.7	11.9	11.1%
Total	75.3	88.1	17.0%

	1H10 (% Sales)	1H11 (% Sales)	Change in % Sales 1H10 – 1H11
	11.3%	10.7%	(0.7%)
	8.6%	8.8%	0.2%
	0.9%	1.0%	0.0%
	5.4%	5.3%	(0.1%)
	4.4%	4.0%	(0.3%)
	30.6%	29.7%	(0.9%)



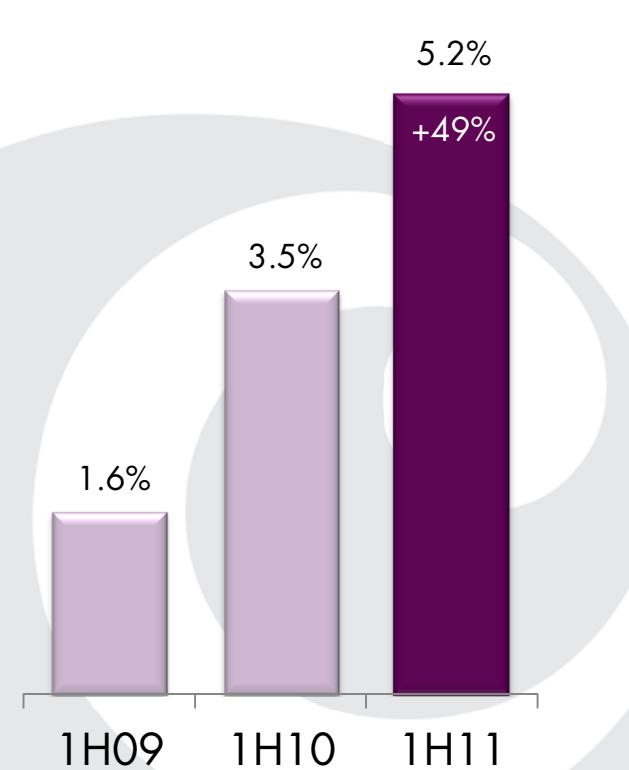
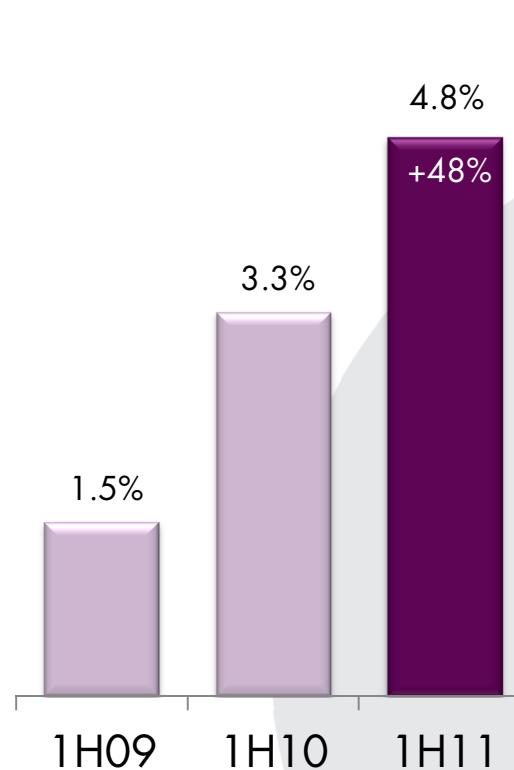
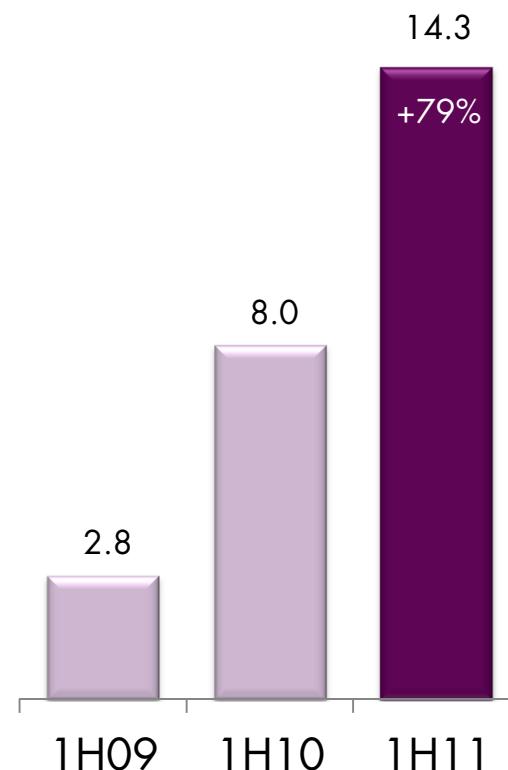
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EBITDA

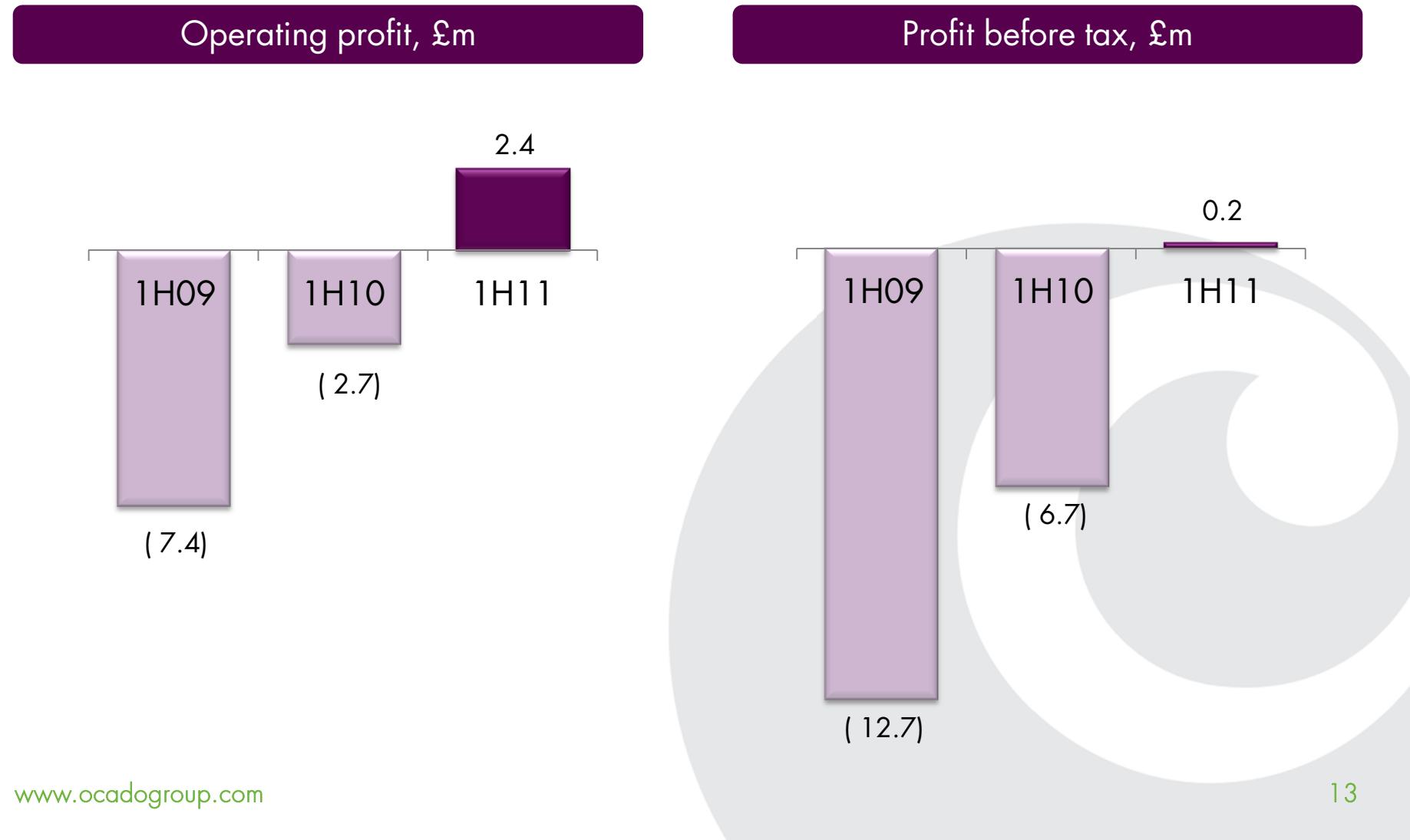
EBITDA, £m

EBITDA Margin (Gross Sales)

EBITDA Margin (Net Sales)



Operating profit and Profit before tax





Capital investment and cash position

Capital investment

- £47.5m of capital investment in the period
 - £26.9m spent on second fulfilment centre in Dordon
 - £10.4m spent on CFC1 projects
 - £4.9m spent on the acquisition of new vehicles
 - £5.3m spent on IT and spoke development

Cash position

- Cash (and equivalents) including treasury deposits of £123.6m at the end of the period
- Net decrease in cash (and equivalents) of £31.0m during the period
- £12.1m net cash flows from operating activities
- Net cash of £49.4m
- Gross debt of £74.3m
- £100m undrawn capex facility

Summary

- Gross sales increased 20.8% to £297m (2010: £246m)
- EBITDA increased by 78.7% to £14.3m (2010: £8.0m)
- EBITDA margin increased by 48.0% to 4.8% (2010: 3.3%)
- Profit before tax of £0.2m (2010: loss of £6.7m)
- Cash and cash equivalents, including treasury deposits of £123.6m (28 November 2010: £154.6 million)
- Net cash of £49.4m (28 November 2010: £80.5 million)
- £100m undrawn capex facility



Outlook

- Significant growth in customer demand for the Ocado service
- Sales growth is currently limited by operational capacity
- The business is putting in place measures to improve capacity and growth during the rest of the year
- We expect that our planned developments will deliver profitable revenue growth for the remainder of the year



Tim Steiner
CEO

www.ocadogroup.com



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Key areas of focus

Highlights for Period

Improving our Customer Offer

- Further development of our grocery range
- Continued a competitive pricing strategy
- Commenced work on non-food offering

Expanding Existing Capacity

- Capacity increased to 124k orders in peak week
- Capacity remains a constraint on growth
- 5 major CFC1 MHE projects commenced
- 2 new spokes opened in Bristol and Wimbledon

Building CFC2

- CFC2 site in Dordon purchased for £22.3m in March
- Ground works complete, building programme is on schedule
- Estimated total spend of £210m



Always refining the customer offer

Customer Offer Elements

Ocado 1H11 Improvements

Product
Offering

Wide
Range



- Established supply partnership with Carrefour
- Further growth in Ocado own-label (now 350 SKUs, +100)

Price

Value for
Money



- Tesco Price Match expanded to c.7.4k SKUs
- Substantial increase in number of promotions
- Strong adoption of 'switch and save' scheme

Customer
Service

Website



- Positive customer feedback for new Ocado Webshop
- Average customer shopping time reduced by 25%

Mobile
Apps



- Continued strong growth in mobile interface take-up
- Over 15% of checkouts now come from a mobile device



A new supply partnership with Carrefour

- Another step in Ocado's strategy to offer the broadest and most diverse grocery range to all our customers around the UK
- Ocado agreed with Carrefour to trial the 'Reflets de France' range (over 300 SKUs)
- An authentic and historic French range. Complementary to our existing lines from our partner Waitrose

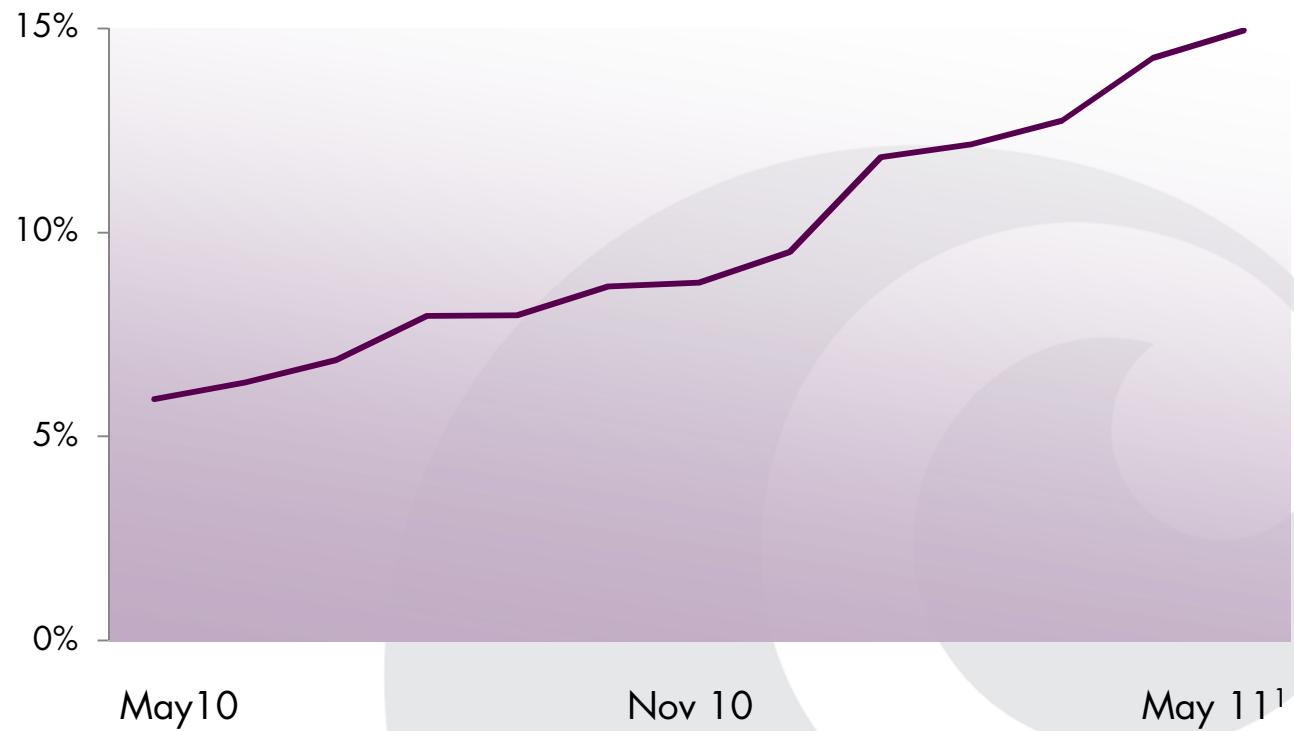
Reflets de France



Mobile take-up has increased by 150% in the last year



Checkouts on Mobile Devices by Month, % Checkouts



1) Up to 31 May 2011

Ocado's new Webshop reduces time to shop by 25%

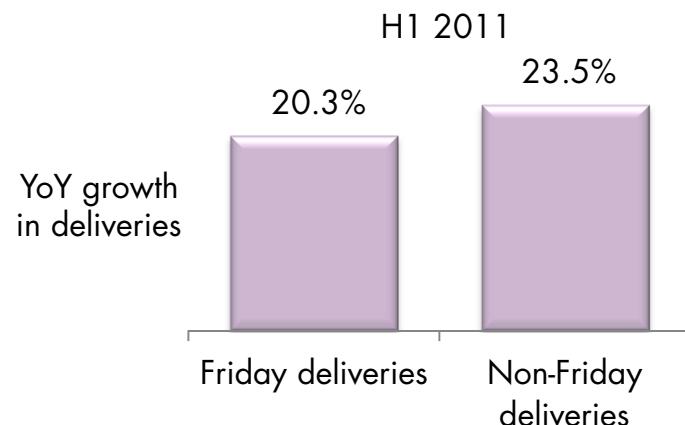


Time for a customer to complete a shop, as % of time taken in June 2010

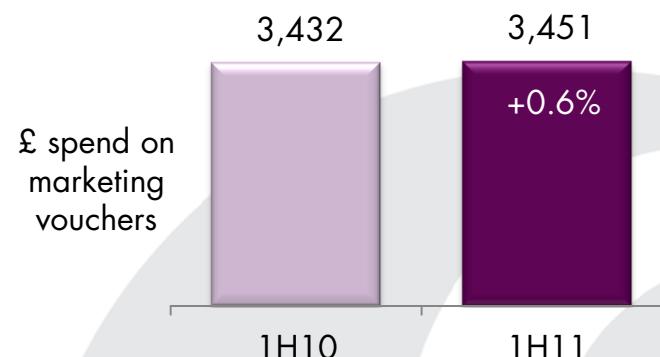


Customer demand outstripping capacity

Peak-day demand has been capped by capacity constraints



Marketing voucher spend flat despite 21% sales growth

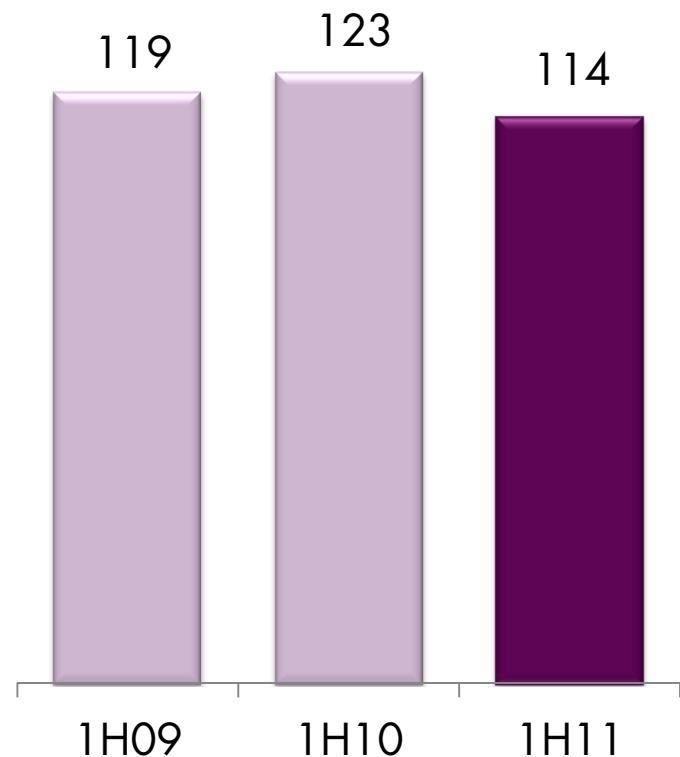


- Available capacity at CFC1 has prevented us from serving all customer demand
- Friday and other busy days could grow faster if capacity permitted
- Capacity constraints are presented to customers as reduced delivery slot choice close to the delivery day
- Our regular customers book in advance and are less affected by constraints

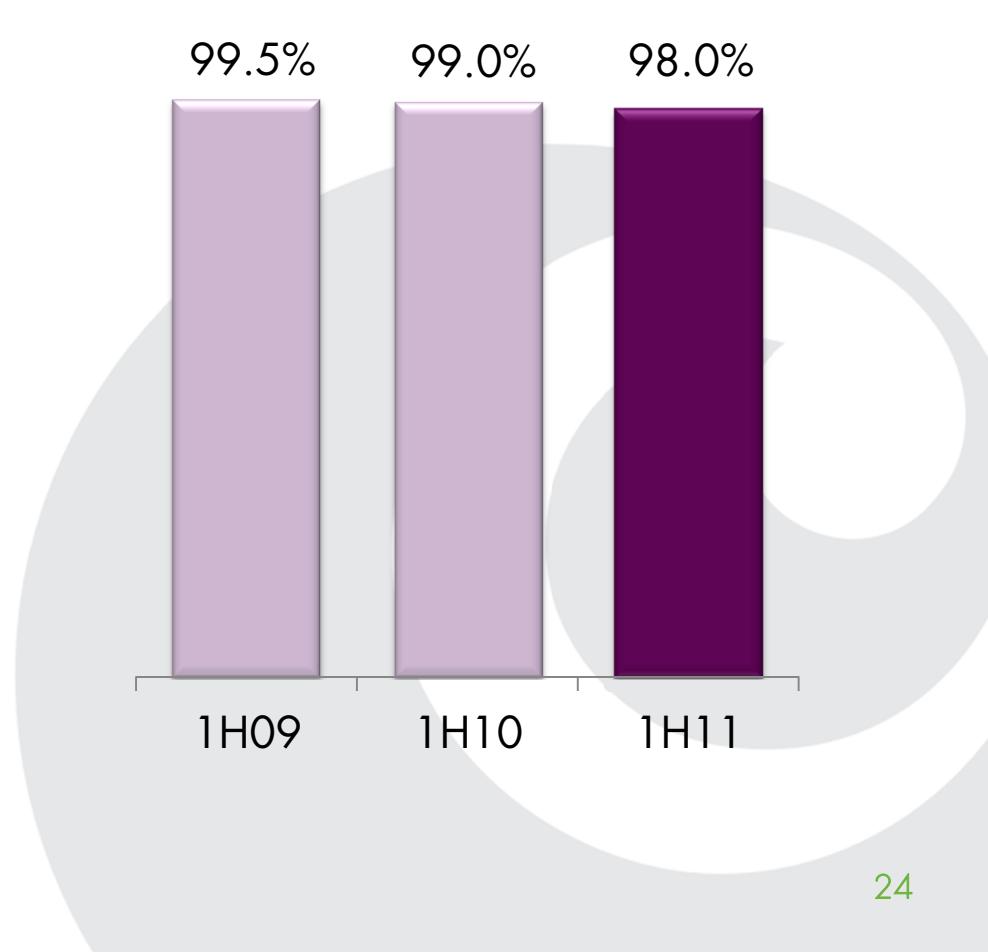
As we push peak capacity, temporary manual labour reduces CFC efficiency



Units per Hour per Person



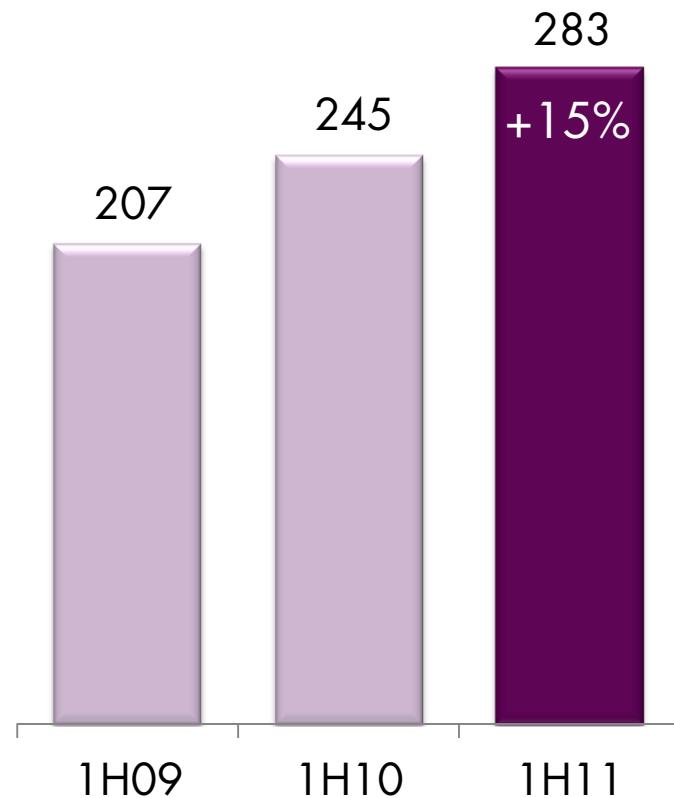
% Items Delivered as Ordered



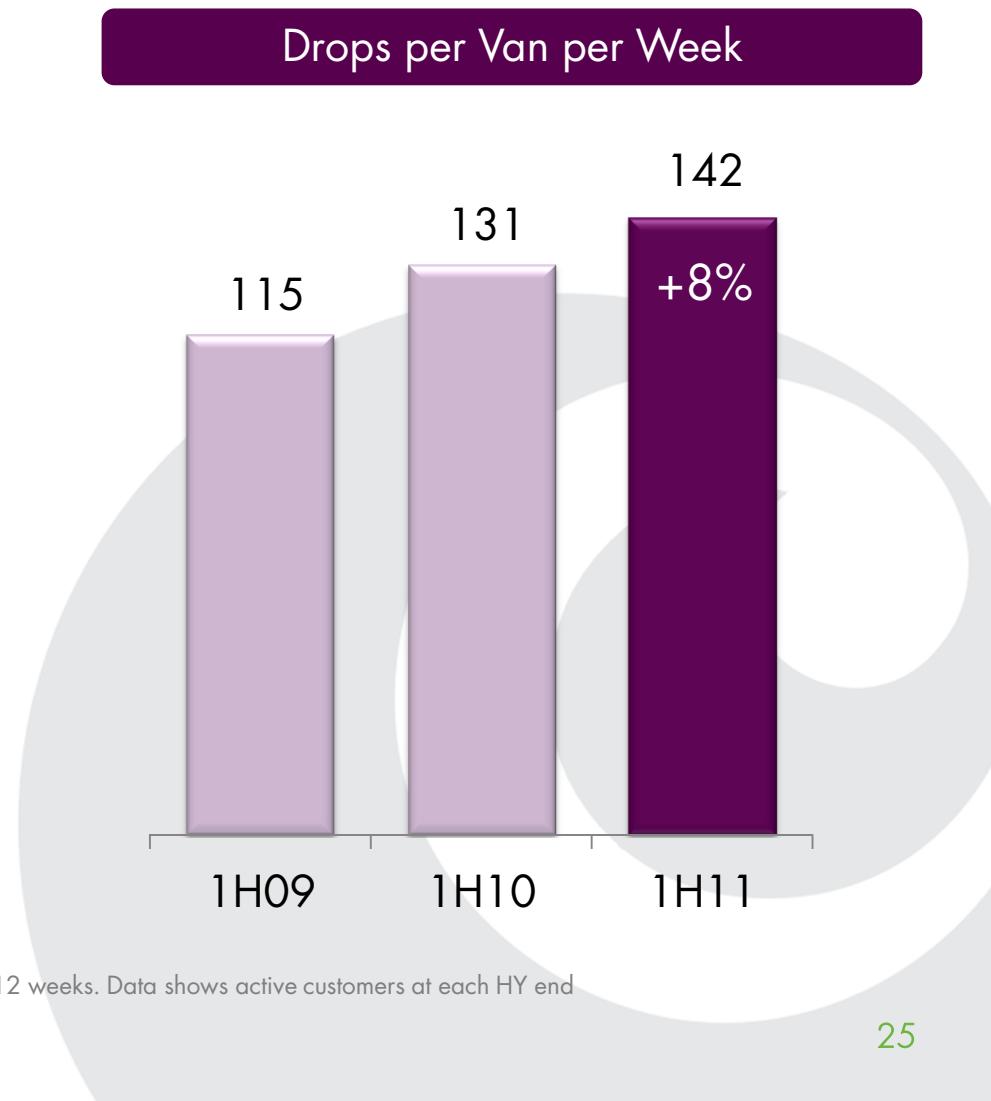
Growth is driving significantly increased delivery efficiency



Active Customers¹, k



Drops per Van per Week



1) A customer is classified as active if they have shopped within the previous 12 weeks. Data shows active customers at each HY end

Capital projects to increase capacity in CFC1



On-going projects during the period – CFC1

	Overview	Productivity	Capacity	Go Live
OSR2	<ul style="list-style-type: none">Fast picking long tail product range extension	✓	✓	H2 FY11
Ambient mini-load	<ul style="list-style-type: none">Automated store of 40k ambient totes	✓	✓	H2 FY11
Ambient zone pick	<ul style="list-style-type: none">Extension of zone pick capacity with latest generation conveyor		✓	H2 FY11
Conveyor extension	<ul style="list-style-type: none">c5km of additional conveyor for load balancing, buffer and flow		✓	Throughout FY11
Tote bagging	<ul style="list-style-type: none">Trial of first machine	✓		H2 FY11

- £10.4m spent on CFC1 capital projects in 1H11
- £80m total spend planned to bring capacity to 180k orders per week at CFC1

✓ Key benefit



At our full year results we updated on the plans for CFC2

Status as of 1 February 2011



- Agreement to purchase site reached in October 2010
- Groundworks commenced
- Project on schedule and budget for opening at end of 2012

Significant progress on CFC2 – project proceeding as planned

CFC2 Overview



- Land purchased in March 2011
- Groundworks complete and external building work underway
- MHE projects are being finalised
- MHE will be installed on-site from the autumn
- Project is on schedule and budget for opening at end of 2012
- £26.9m of capex spent of planned £210m



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Appendix

Balance sheet

		1H11 (£m)	FY10 (£m)
Non-current assets	Property, plant and equipment	134.4	100.0
	Other	18.9	15.8
	Total	153.3	115.8
Current assets	Cash and cash equivalents	123.6	124.6
	Other current assets	43.7	61.5
	Total	167.3	186.2
Total assets		320.7	302.0
Current liabilities	Trade and other payables	(69.9)	(55.5)
	Obligations under finance leases	(18.9)	(16.5)
	Other current liabilities	(4.3)	(2.4)
	Total	(93.0)	(74.4)
Non-current liabilities	Obligations under finance leases	(44.5)	(45.6)
	Other non-current liabilities	(7.5)	(10.2)
	Total	(52.0)	(55.8)
Total liabilities		(145.1)	(130.2)
Net assets / (liabilities)		175.6	171.8



KPIs

	1H11	1H10	% Change
Average order size (£) ¹	£114.09	£115.77	(1.5%)
Average orders per week	108,350	88,407	+22.6%
CFC efficiency (units per hour) ²	114	123	(7.0%)
Average deliveries per van per week	142	131	+8.3%
Average product wastage (% of gross sales) ³	0.63%	0.60%	+4.0%
Items delivered exactly as ordered (%) ⁴	98.0%	99.1%	(1.1%)
Deliveries on time or early (%)	92.7%	94.9%	(2.3%)

1) Average retail value of goods a customer receives (including VAT and delivery charge) per order

2) Measured as units dispatched from the CFC per hour worked by CFC operational personnel

3) Value of products purged for having passed Ocado's "use by" life guarantee divided by gross sales

4) Percentage of all items delivered exactly as ordered, i.e. the percentage of items neither missing nor substituted



Definition of key income lines

- Revenue consists of online sales (net of returns) through the Website and mobile applications, including charges for delivery, but excluding relevant vouchers/offers and value added tax. Relevant vouchers/ offers include money-off coupons, conditional spend vouchers and multi-buy offers, such as buy three for the price of two.
- Cost of sales consists of the cost of groceries and other products the Group sells, any associated license fees which are linked to the volume of sales of specific products or product groups, including the branding and sourcing fees payable to Waitrose, adjustments to inventory, and charges for transportation of goods from a supplier to the CFC.
- Other income consists primarily of advertising revenue for advertising services provided by Ocado to suppliers and other third parties on the Website, commission income received and sublease payments received. Other income is recognised in the period to which it relates on an accruals basis.



Definition of key cost lines

- Distribution costs include all costs to the point of sale, which is usually the customer's home. There are two main components, CFC costs and delivery costs:
 - CFC costs include employment and operating costs relating to the CFC (inbound product receiving and decanting into the picking area or to storage, outbound product picking and packing for customer orders and loading of orders for despatch) and all associated depreciation and amortisation.
 - Delivery costs include costs relating to the trunking of customer orders from the CFC to the Spokes, where required, and van delivery to customers' homes, including employment costs of LGV and delivery van drivers and operational management, fuel, tolls, insurance and maintenance of vehicles, the operating costs of the Spokes, including operating lease rentals and all associated depreciation, amortisation, impairment and any losses on disposal of assets.
- Administrative expenses consist of all IT costs, advertising and marketing expenditure, employment costs of all head office functions, which include legal, finance, human resources, marketing and procurement, rent and other property-related costs for the head office, all fees for professional services and the depreciation, amortisation and impairment associated with head office IT equipment, software, fixtures and fittings and expenses relating to the ESOS and the JSOS.