



# Ocado Group plc 2010 Preliminary Results

1 February 2011

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# Agenda



- Financial Review – Andrew Bracey
- Business Review – Tim Steiner
- Q&A



# **Andrew Bracey**

## **CFO**

# Highlights



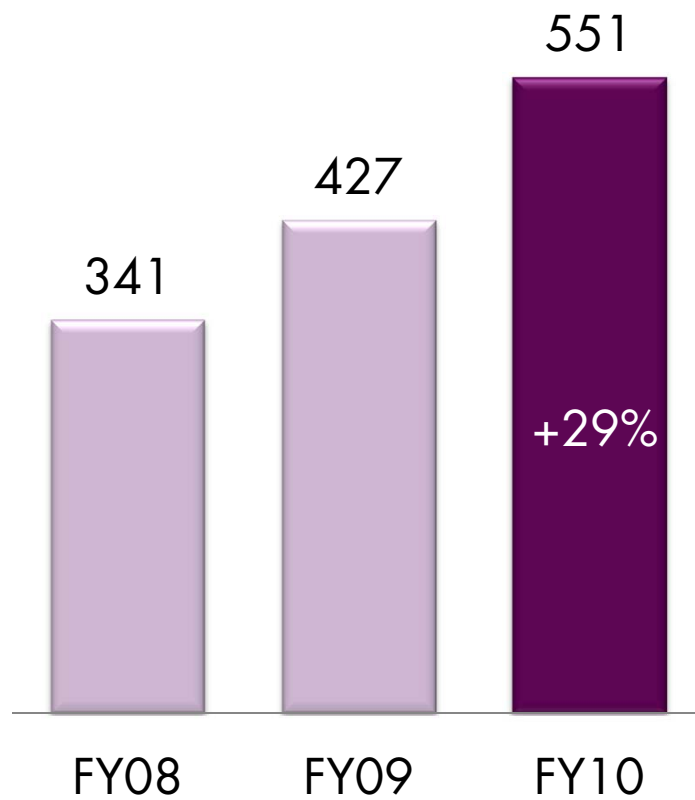
- **Financial Highlights**
  - Gross sales up 29% to £551.1m
  - Adjusted<sup>1</sup> EBITDA up 138% to £22.0m (adjusted<sup>1</sup> EBITDA margin 4.0%)
  - Adjusted<sup>1</sup> EBT loss £8.7m
  - Profitability reached in second half
  - Adjusted<sup>1</sup> H2 EBIT profit £0.9m
  - Q4 EBT profit £0.3m
  - Cash (including treasury deposits) of £154.6m at year end
- **Statutory Highlights**
  - Net revenue up 28% to £515.7m
  - Operating loss reduced by 63% to £5.4m, including £3.5m of one-off IPO costs
  - Loss before tax reduced by 52% to £12.2m, including £3.5m of one-off IPO costs
- **Operational Highlights**
  - Average orders per week up 31% to 92,916
  - Items delivered exactly as ordered were 99% for the year
  - Deliveries on time or early were 95% for the year

<sup>1</sup>) Adjusted to exclude one-off IPO costs of £3.5m

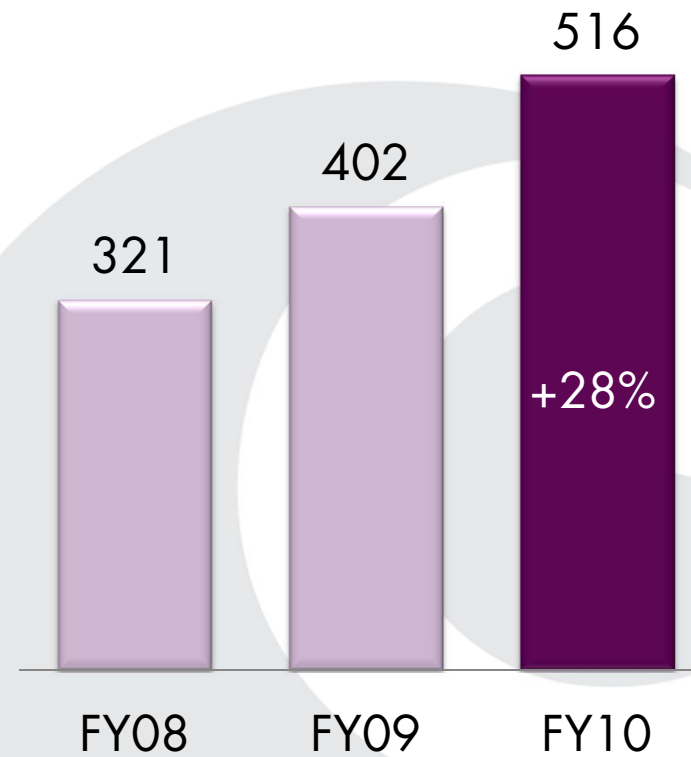
# Sales



Gross Sales, £m



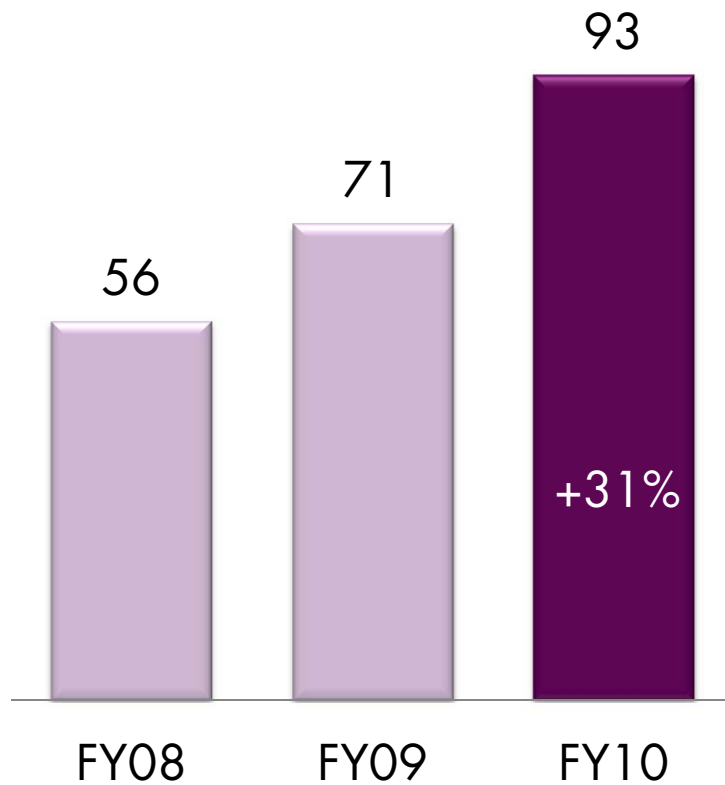
Net Revenue, £m



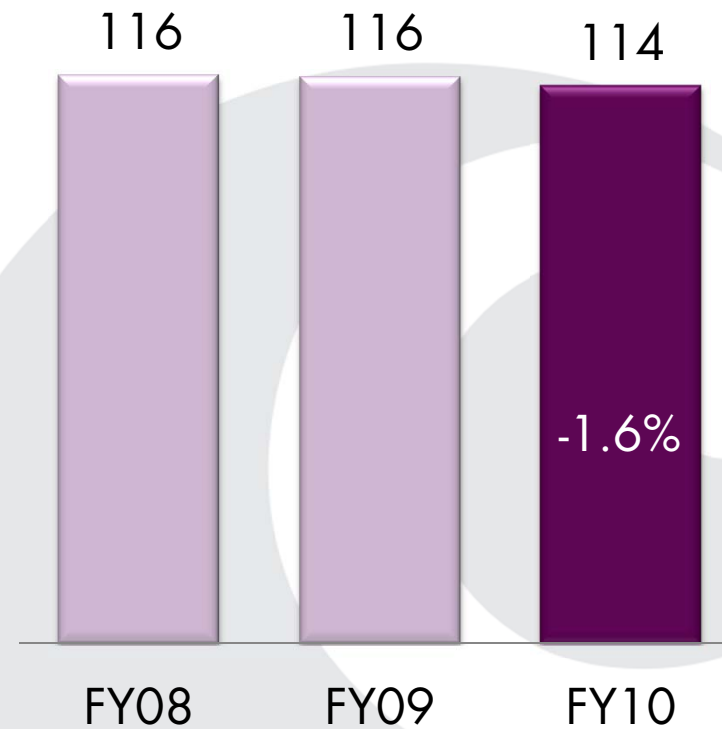
# Sales drivers



Average Orders Per Week, k



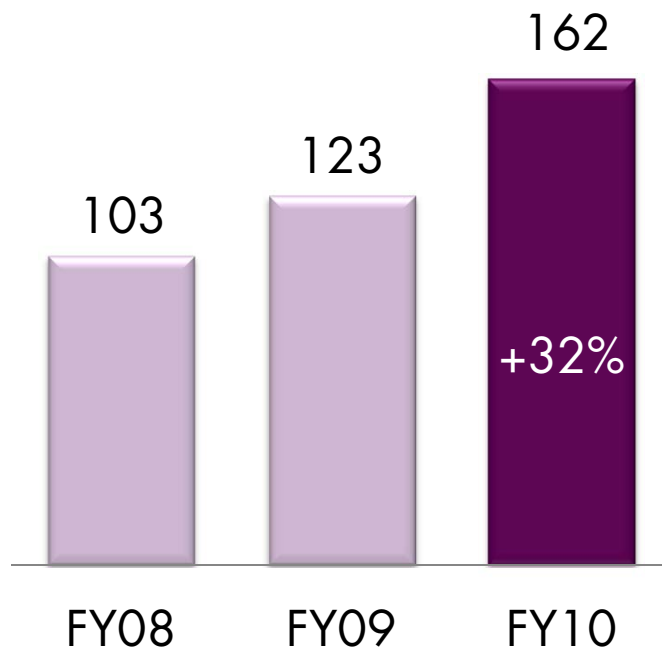
Average Basket Size, £



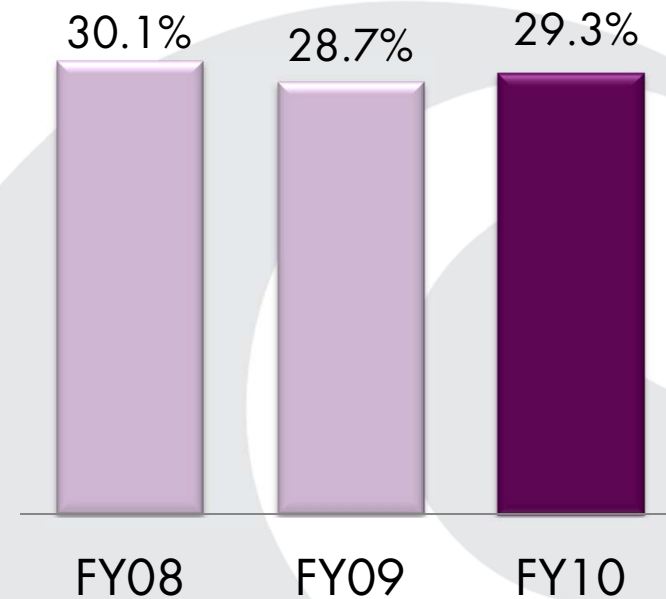
# Gross profit



Gross Profit, £m



Gross Margin, %





# Operating costs



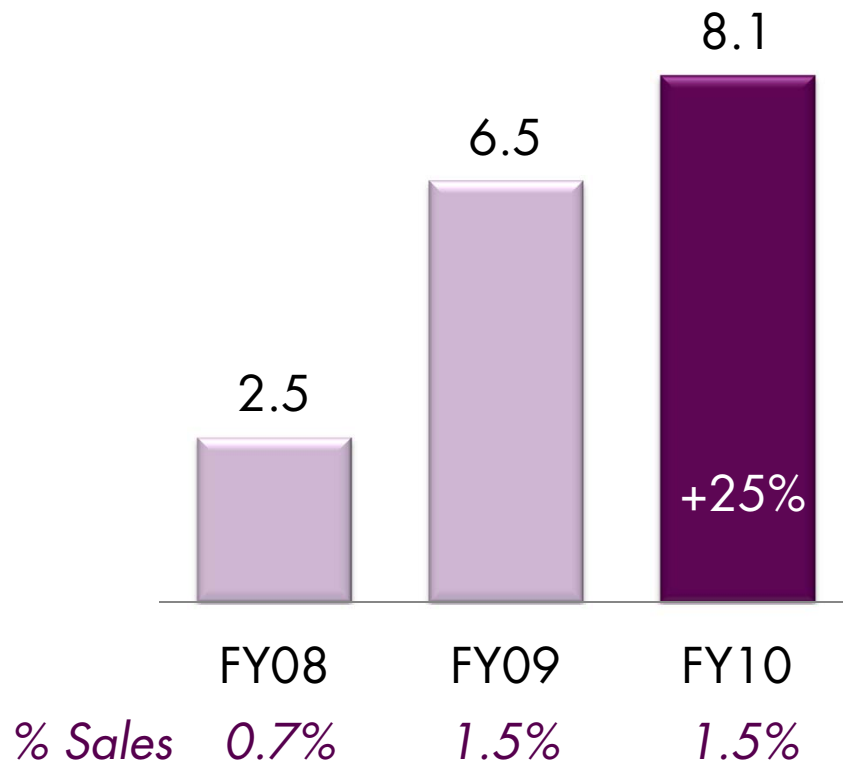
	FY09 (£m)	FY10 (£m)	Growth
Trunking & delivery	51.2	63.4	23.9%
CFC	38.6	47.6	23.4%
Other operating costs	4.2	5.2	24.3%
Admin expenses	22.3	29.6	33.0%
Depreciation & amortisation	23.6	23.8	0.8%
Total	139.9	169.7	21.3%

	FY09 (% Sales)	FY10 (% Sales)	Change in % Sales FY09 – FY10
	12.0%	11.5%	(0.5%)
	9.0%	8.6%	(0.4%)
	1.0%	1.0%	(0.0%)
	5.2%	5.4%	0.2%
	5.5%	4.3%	(1.2%)
	32.7%	30.8%	(1.9%)

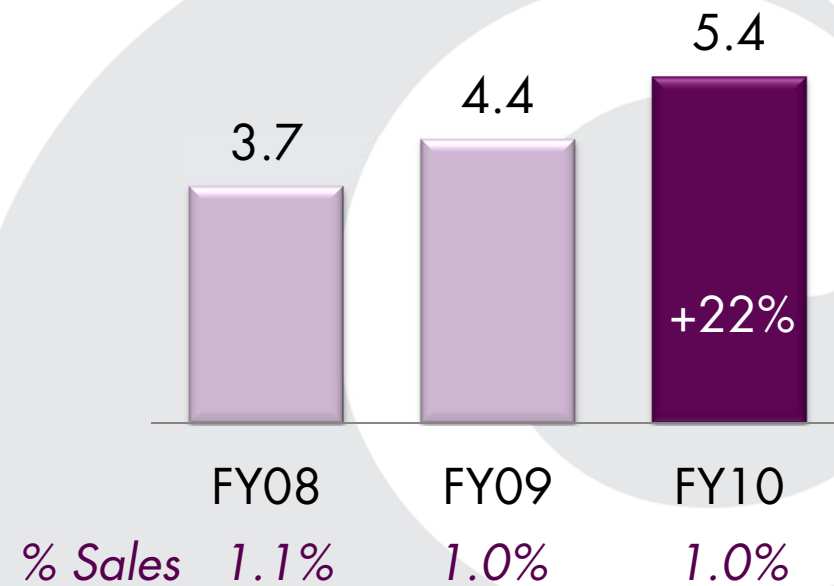
# Marketing



Vouchering Costs, £m



Marketing Costs, £m



# EBITDA



EBITDA, £m



EBITDA Conversion, % Incremental Gross Sales



<sup>1</sup>) Adjusted to exclude one-off IPO costs of £3.5m

# Profit/loss



	FY09 (£m)	FY10 (£m) <sup>1</sup>
Gross profit	122.8	161.6
EBITDA	9.2	22.0
Deprecation & amortisation	(23.6)	(23.8)
EBIT	(14.4)	(1.8)
Interest	(11.1)	(6.9)
EBT	(25.5)	(8.7)

	FY09 (% Sales)	FY10 (%Sales) <sup>1</sup>
	28.7%	29.3%
	2.2%	4.0%
	(5.5%)	(4.3%)
	(3.4%)	(0.3%)
	(2.6%)	(1.2%)
	(6.0%)	(1.6%)

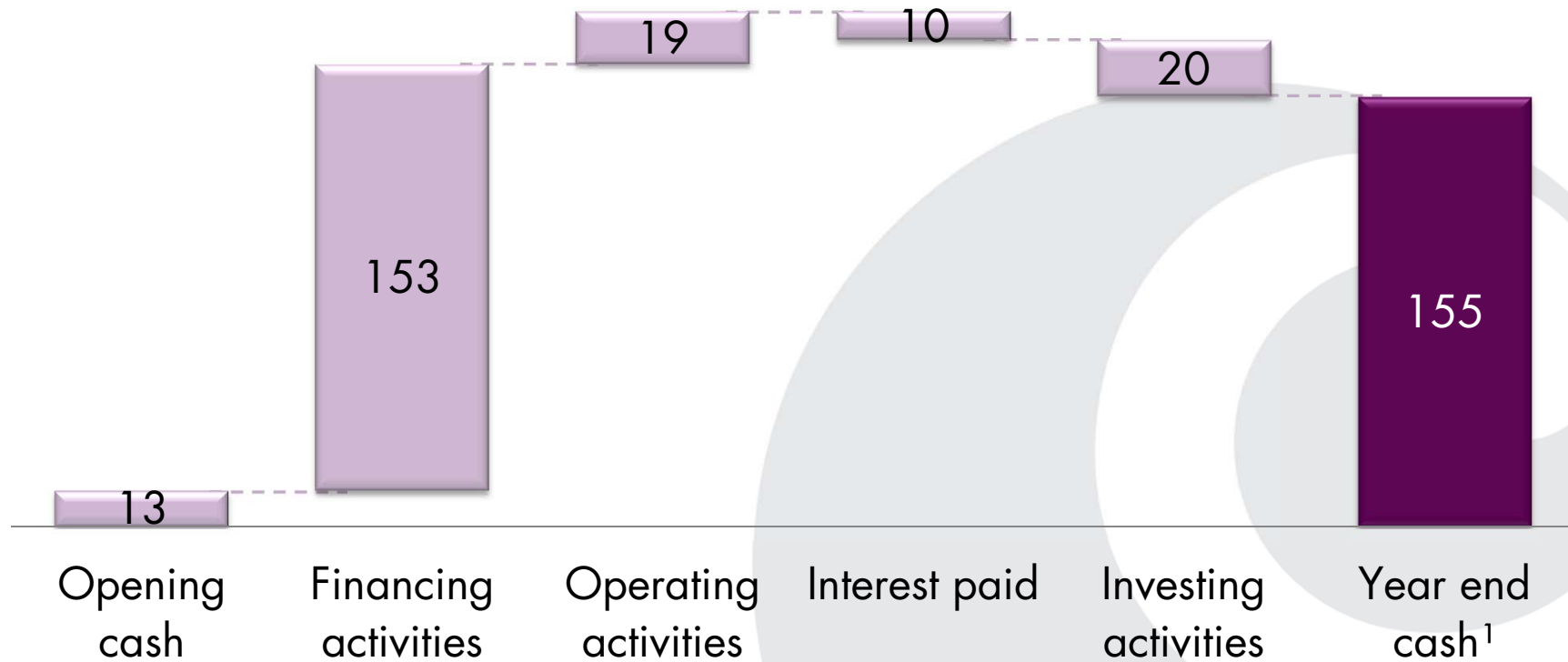
- Adjusted<sup>1</sup> H2 EBIT profit £0.9m
- Q4 EBT profit £0.3m

<sup>1</sup>) Adjusted to exclude one-off IPO costs of £3.5m

# Cashflow



Cashflow, £m



1) Including short term treasury deposits

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# Capital investment



- Capital expenditure of £35.0m of FY10, an increase of 52%
  - Increased capacity of Hatfield CFC
  - Expanded the van fleet
  - Funded the internal development of new computer software
- Capital expenditure plans remain as described during the IPO
  - Completion of CFC1 is expected to cost £80m, increasing capacity (to 180k orders per week) and range
  - CFC2 is expected to cost £210m. The construction of the new warehouse in Dordon, Warwickshire will commence in the coming months and will continue into 2012 and is on schedule and budget

# Outlook



- Growth has continued from the Christmas trading announcement
- Gross sales increased 25% since the start of the financial year
- Focused on positioning business to take advantage of the significant latent demand for online grocery in the UK
- Continuing to build capacity to serve the increasing demand
- Always improving our customer offer

# Summary



- Gross sales increased 29% to £551.1m
- EBITDA increased by 138% to £22.0m (EBITDA margin 4.0%)<sup>1</sup>
- Profitability reached in second half
- EBIT profit for H2 of £0.9m<sup>1</sup>
- EBT profit for Q4 of £0.3m
- Cash (including treasury deposits) of £154.6m at year end

<sup>1</sup>) Adjusted to exclude one-off IPO costs of £3.5m





**Tim Steiner**  
**CEO**

# Significant market opportunity driven by improving customer offer



## Market Context

- UK Grocery is as large as all other retail markets combined (c£150bn) with average weekly household spend of c£110
- Less than 3% of total grocery market has moved online
- Online adoption in other markets is driven by improved price and/or service (quality, range, information, etc)
- The adoption in grocery has focused on service

# Always refining the model – customer offer

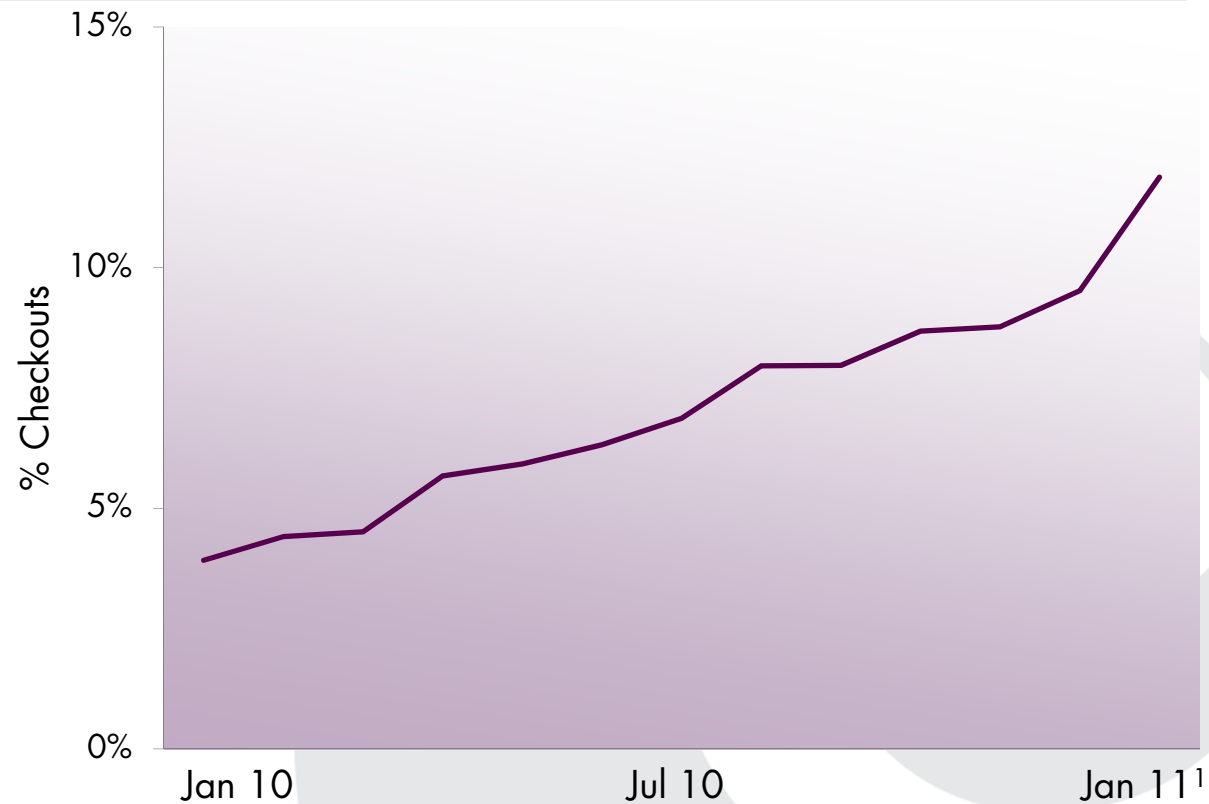
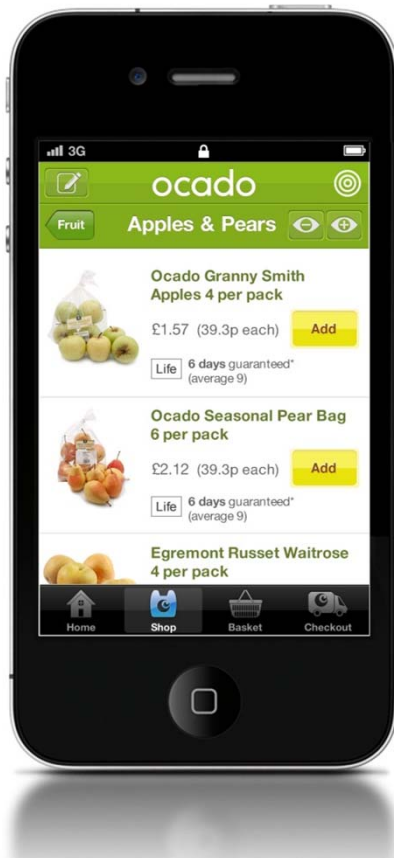


Customer Offer Elements		Ocado 2010 Improvements	
Product Offering	Wide Range	▶	<ul style="list-style-type: none"><li>• 21.5k SKUs at year end</li><li>• Introduction of Ocado own label (250 SKUs and growing)</li><li>• Added convenience product range</li><li>• Rolled out service counter</li></ul>
Price	Value for Money	▶	<ul style="list-style-type: none"><li>• Tesco Price Match expanded to c.7.2k SKUs</li><li>• Introduced "Switch and Save"</li><li>• Substantial increase in number of promotions</li></ul>
Customer Service	Delivery	▶	<ul style="list-style-type: none"><li>• Launched mid-week Ocado Delivery Pass</li><li>• Rolled out Sunday deliveries</li></ul>
	Website	▶	<ul style="list-style-type: none"><li>• Launched 5<sup>th</sup> version of Website – easier to navigate, more personalisation, more supplier opportunities, increased dietary filtering, additional recipes</li><li>• Added reviews and ratings</li></ul>
	Mobile Apps	▶	<ul style="list-style-type: none"><li>• Launched Android and iPad apps</li><li>• Upgraded iPhone app</li></ul>

# Technology driven – mobile take up has tripled since January 2010



## Checkouts on Mobile Devices by Month, % Checkouts



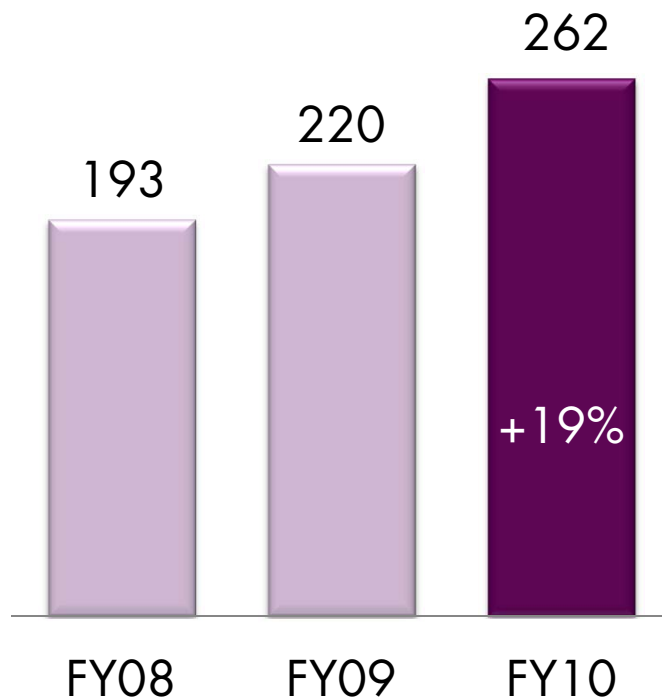
1) Up to 24 January 2011

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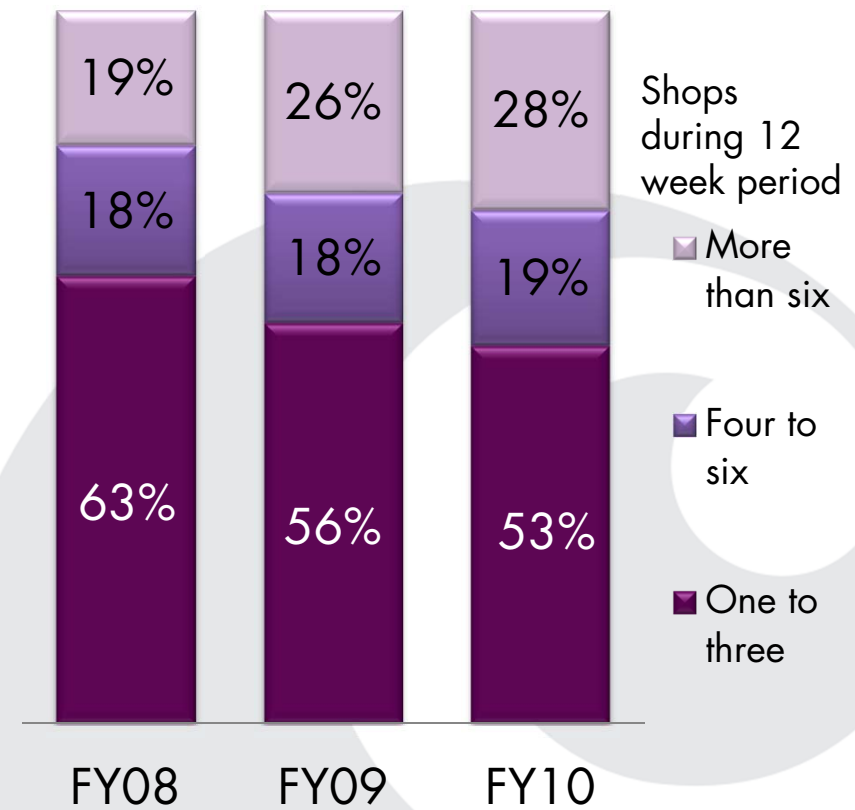
# Driving increased consumer adoption



Active Customers<sup>1</sup>, k



Shopping Frequency<sup>2</sup>, % Customers



- 1) A customer is classified as active if they have shopped within the previous 12 weeks. Data shows active customers at each FY end  
2) Shopping frequency for active customers at year end in the previous 12 weeks

# Always refining the model – behind the scenes

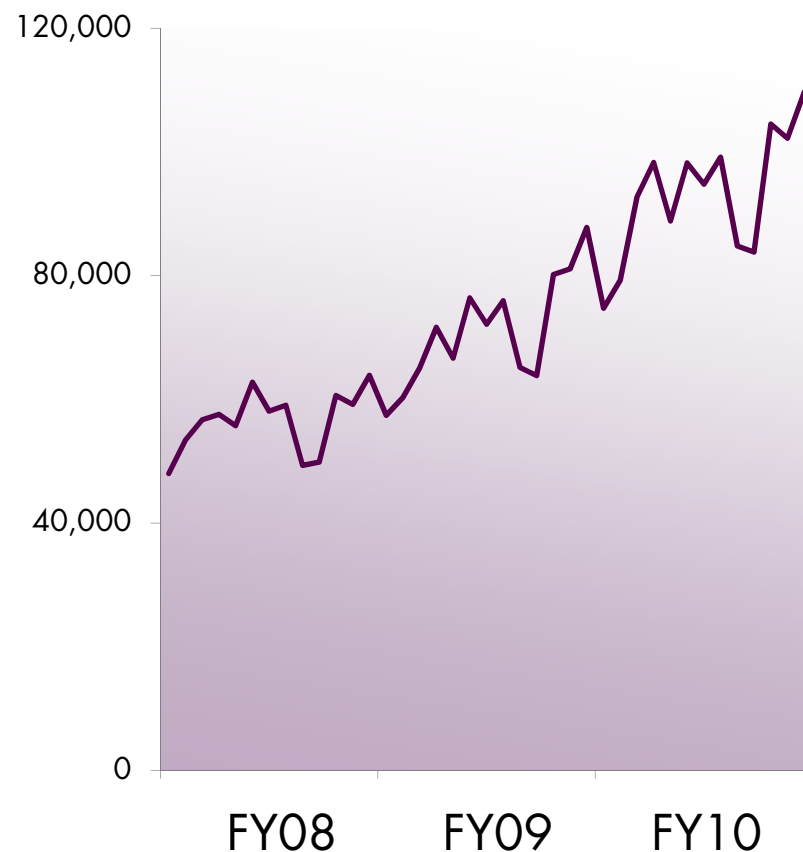


Infrastructure		Ocado 2010 Improvements	
CFC	CFC1	▶	<ul style="list-style-type: none"><li>Increased capacity by c.30% to serve 112k orders per week in peak week</li><li>Add 3 new chill aisles</li></ul>
	CFC2	▶	<ul style="list-style-type: none"><li>Agreed to purchase site</li><li>Major contractor selected</li><li>MHE negotiations on-going</li></ul>
Spokes	Increase capacity	▶	<ul style="list-style-type: none"><li>Purchased new spoke in Bristol, expected to open in FY11 Q2</li><li>Expanded White City spoke</li></ul>
	Trailers	▶	<ul style="list-style-type: none"><li>Rolled out double deck trailers</li></ul>
Last mile	Vans	▶	<ul style="list-style-type: none"><li>5<sup>th</sup> generation of van developed, increases payload by c.10%</li><li>Winterised fleet to improve snow safety and delivery performance</li><li>Trialling electric vehicles</li></ul>
IT	Systems	▶	<ul style="list-style-type: none"><li>Developed new range management system</li><li>Deployed more than 1,500 individual changes to our warehouse systems</li><li>Implemented detailed tracking and retention of van GPS data</li></ul>

# Improvements drive increased capacity, productivity...

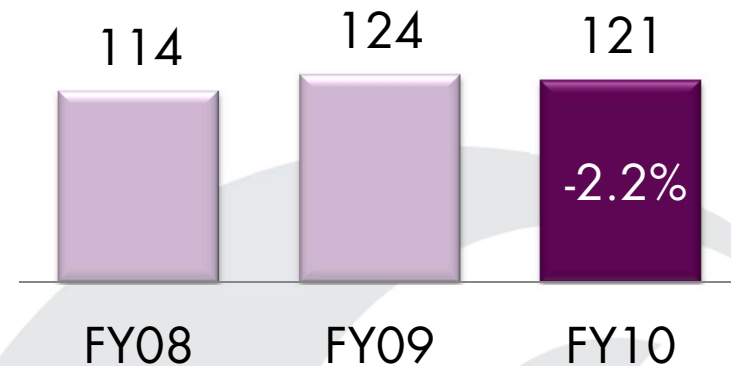


Average Weekly Orders Per 4 Week Period

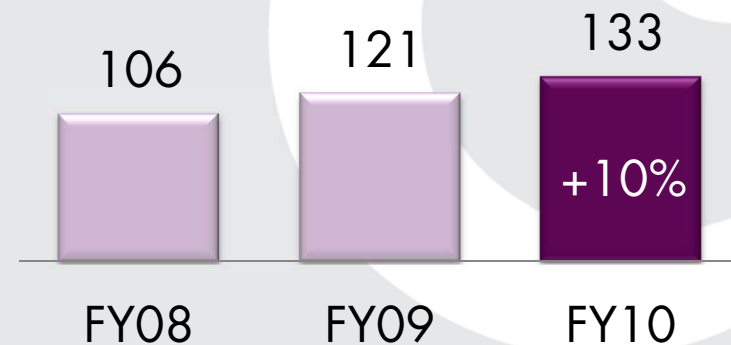


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CFC Productivity, Units Per Hour (UPH)



Delivery Productivity, Drops Per Van Per Week



## ... and industry recognition



### Awards



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### Facebook Comments

- *"I love Ocado. There it is, short and simple! I've tried all the other online supermarkets and always come back to Ocado for the quality and freshness."* Elizabeth
- *"Just had my second delivery and am starting to spread the word amongst friends and colleagues. Great service and superior products/range. Thanks."* Jude
- *"Many thanks to the lovely driver who delivered today. I know he had just helped another vehicle which was stuck – and people ask why I internet shop for food! It's the only way!"* Helen
- *"I love that food items can now be rated on your site. I cannot believe how often I make a decision based on what others have said."* Karie



# Extended long term partnership with Waitrose



## Waitrose Contract

- Signed fifth version of Waitrose contract in May 2010
- Longest contract ever signed between Waitrose and Ocado, valid until at least 2017

### Ocado benefits

- Allows continued access to Waitrose product catalogue
- Increased buying scale
- Increased flexibility in purchasing, eg some own label SKUs purchased and specified directly with suppliers

### Waitrose benefits

- Receive cash fee on all items with limited Waitrose staff overhead
- Increased buying scale
- Increase reach of Waitrose brand into both new geographies and customer demographics
- Removal of London restriction from mid 2011

# Major capital projects to increase productivity and capacity in CFC1...



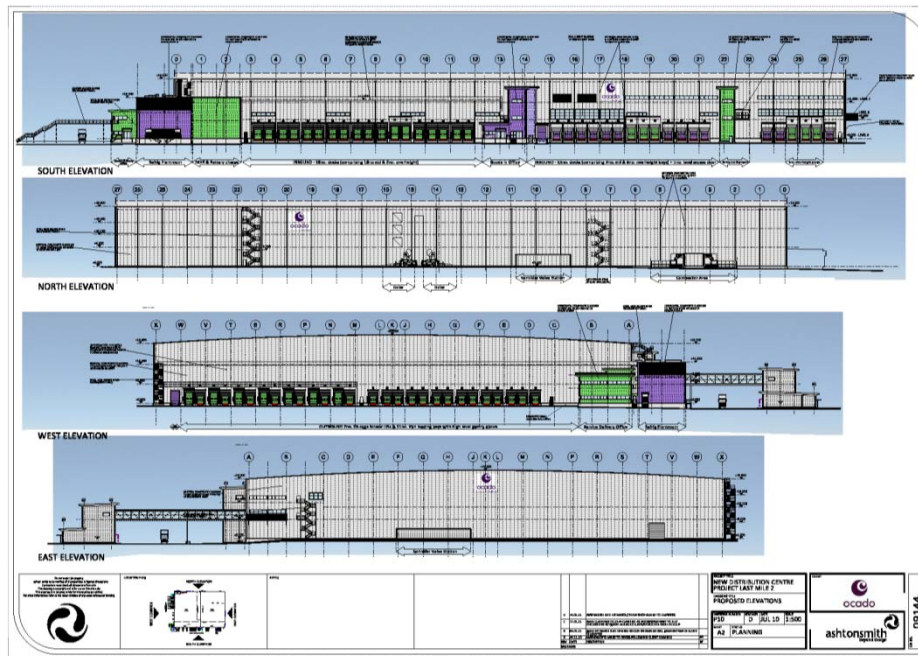
## 2011 Major Projects – CFC1

	Overview	Productivity	Capacity	Go Live
OSR2	<ul style="list-style-type: none"> <li>Fast picking long tail product range extension</li> </ul>	✓	✓	From H2 FY11 to FY12
Tote bagging	<ul style="list-style-type: none"> <li>Trial of first machine</li> </ul>	✓		H2 FY11
Ambient mini-load	<ul style="list-style-type: none"> <li>Automated store of 40k ambient totes</li> </ul>	✓		H2 FY11
Ambient zone pick	<ul style="list-style-type: none"> <li>Extension of zone pick capacity with latest generation conveyor</li> </ul>		✓	H2 FY11
Conveyor extension	<ul style="list-style-type: none"> <li>c5km of additional conveyor for load balancing, buffer and flow</li> </ul>		✓	Throughout FY11

✓ Key benefit

# ... and build CFC2

## CFC2 Overview



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

# Summary



- Online grocery is still at an early stage
- Adoption driven by service and time
- Investing in capacity and efficiency
- Continuously striving to improve the service to give customers their life back



## Q&A

# Highlights



- Gross sales up 29% to £551m and adjusted EBITDA up 138% to £22m
- Profit before tax of £0.3m for Q4 FY10
- Online market is at an early stage
- Continuing to improve the customer offer and build capacity to drive growth

# Appendix

# Balance sheet



		FY10 (£m)	FY09 (£m)
Non-current assets	Property, plant and equipment	100.0	90.3
	Other	15.8	9.4
	Total	115.8	99.6
Current assets	Cash and cash equivalents	124.6	13.0
	Other current assets	61.5	24.0
	Total	186.2	37.0
<b>Total assets</b>		<b>302.0</b>	<b>136.6</b>
Current liabilities	Trade and other payables	(55.5)	(47.2)
	Obligations under finance leases	(16.5)	(19.7)
	Other current liabilities	(2.4)	(12.1)
	Total	(74.4)	(79.0)
Non-current liabilities	Obligations under finance leases	(45.6)	(45.7)
	Other non-current liabilities	(10.2)	(44.1)
	Total	(55.8)	(89.8)
<b>Total liabilities</b>		<b>(130.2)</b>	<b>(168.8)</b>
<b>Net assets / (liabilities)</b>		<b>171.8</b>	<b>(32.2)</b>



# KPIs



	FY09	FY10	% Change
Average order size (£) <sup>1</sup>	115.94	114.06	(1.62%)
Average orders per week	70,873	92,916	+31.1%
CFC efficiency (units per hour) <sup>2</sup>	124	121	(2.2%)
Average deliveries per van per week	121	133	+10.3%
Average number of operational staff (FTE)	3,151	3,835	+21.7
Average product wastage (% of gross sales) <sup>3</sup>	0.57	0.61	n/a
Items delivered exactly as ordered (%) <sup>4</sup>	99.4	99.0	n/a
Deliveries on time or early (%)	93.0	94.9	n/a

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 and stock adjustments (net of sales to the company shop), divided by gross sales

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