



Ocado Group plc 2015 Half Year Results

30 June 2015

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Agenda

- Financial update – Duncan Tatton-Brown
- Business update – Tim Steiner
- Q&A
- Appendices

Introduction

- Continued growth in competitive market
- Solid UK retail economics
- Capacity plans on track
- Well positioned for future platform opportunities

Financial summary

	1H15 (£m)	1H14 (£m)	
Revenue	507.7	429.7	+18.2%
EBITDA	38.2	34.3	+11.4%
<i>EBITDA % of revenue</i>	7.5%	8.0%	
Profit before tax	7.2	7.5	

EBITDA summary

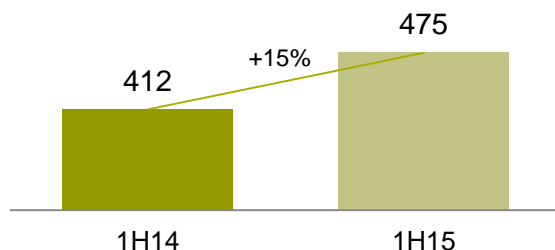
	1H15 (£m)	1H14 (£m)	
EBITDA	38.2	34.3	+11.4%
Morrisons MHE JVCo impact	6.1	5.0	
Non-cash share based payments	(3.5)	(1.6)	
Underlying EBITDA	35.6	30.9	+15.2%
Depreciation and amortisation ¹	(26.4)	(23.4)	
Financing costs	(4.6)	(3.4)	
Adjusted profit ²	7.2	7.5	
Exceptional items	-	-	
Profit before tax	7.2	7.5	

1. Depreciation and amortisation includes impairment charges

2. Adjusted profit excludes exceptional costs and tax

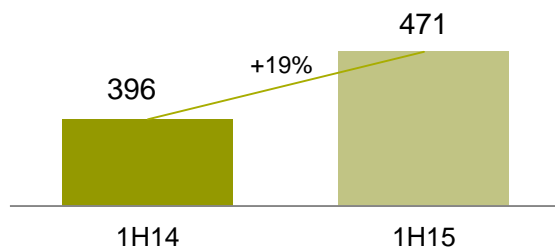
Sales drivers (Retail)¹

Revenue, £m



	Orders (% change y-o-y)	Basket value (% change y-o-y)
Total	19%	(2.4%)
Hypermarket (ocado.com)	16%	(1.5%)
Destination sites	> 400%	> 20%

Active² customers, 000



- Hypermarket basket size (#items) flat
- Competitive impact on item price, particularly in LPP matched products

1. Figures are for Ocado retail business only

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

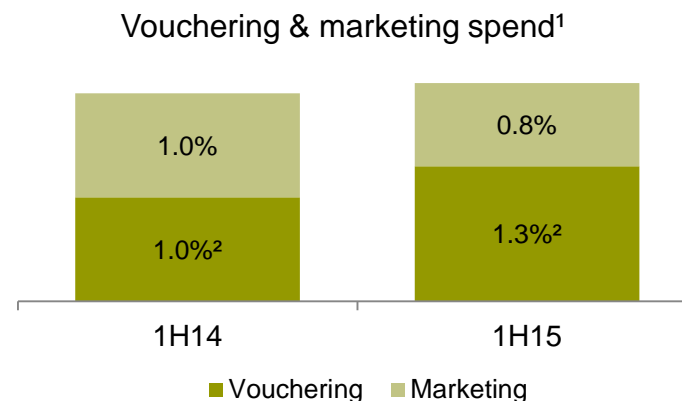
Customers

Customer Service

- Service levels remained strong
- On time or early: 95.6% (1H14: 95.7%)
- Items delivered as ordered: 99.3% (1H14: 99.2%)

Marketing

- Resulted in higher marketing spend, driven by more new customer vouchering
- New customer acquisitions up >30%
- LPP costs remain low

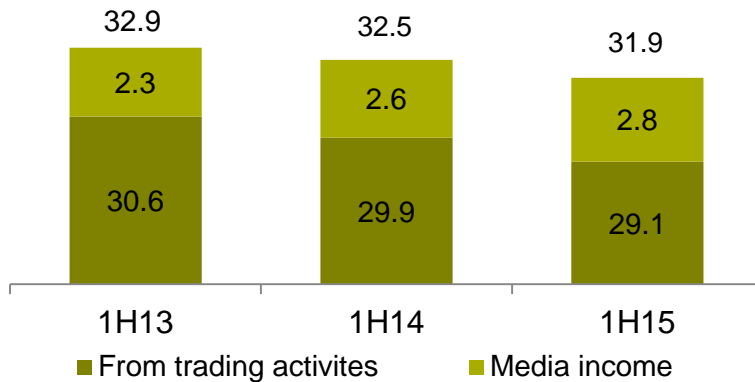


1. Cost expressed as a percentage of retail revenue

2. Vouchering spend including LPP ("Low Price Promise") cost

Gross margin (Retail)

Gross margin¹ (incl. media² income), %



- Gross margins lower impacted by competitor pricing activity
- Partially offset by further increase in media income



1. Expressed as a percentage of retail revenue
2. Includes media and other income from suppliers

Operating metrics (Retail)

	1H15 (£m)	1H14 (£m)	1H15 (% Retail Revenue)	1H14 (% Retail Revenue)
Trunking & delivery ^{1,2}	54.6	47.4	11.5	11.5
CFC ^{1,2}	37.2	34.8	7.8	8.4
Other operating costs ³	5.7	4.9	1.2	1.2
Marketing (non vouchering)	4.0	4.0	0.8	1.0
Total Operating	101.5	91.1	21.3	22.1
Mature CFC efficiency ⁴	153 UPH	142 UPH		
Service Delivery efficiency	162 DPV	163 DPV		
Wastage	0.7%	0.8%		

1. Adjusted to exclude costs recharged to Morrisons.

2. The allocation of costs in 1H 2014 has now been restated to be consistent with FY 2014

3. Other operating costs mainly include payment processing and contact centre costs

4. Mature CFC efficiency. A CFC is considered mature if it has been open 12 months by the start of the half year reporting period

UK retail operating contribution

	1H15 (% Retail Revenue)	1H14 (% Retail Revenue)	△
Gross Margin	29.1	29.9	(0.8)
Media income ¹	2.8	2.6	0.2
Trunking & delivery ^{2,3}	(11.5)	(11.5)	-
CFC ^{2,3}	(7.8)	(8.4)	0.6
Other operating costs ⁴	(1.2)	(1.2)	-
Marketing (non vouchering)	(0.8)	(1.0)	0.2
Operating contribution	10.6	10.4	0.2

1. Includes media and other income from suppliers

2. Adjusted to exclude costs recharged to Morrisons.

3. The allocation of costs in 1H 2014 has now been restated to be consistent with FY 2014

4. Other operating costs mainly include payment processing and contact centre cost

Total Costs

	1H15 (£m)	1H14 (£m)	1H15 (% Revenue)	1H14 (% Revenue)
Total operating ^{1,4}	101.5	91.1	20.0	21.2
Administrative expenses ^{2,4}	28.0	22.6	5.5	5.3
Morrisons ³	23.6	9.3	4.6	2.2
Depreciation and amortisation	26.4	23.4	5.2	5.4
Total	179.5	146.4	35.4	34.1

1. Total operating costs include marketing (non voucher costs)

2. Administrative expenses exclude depreciation

3. Distribution costs and administrative expenses recharged to Morrisons

4. The allocation of costs in 1H 2014 has now been restated to be consistent with FY 2014

Capital investment¹

	1H15 (£m)	1H14 (£m)
Mature CFCs	4	17
New CFCs	19	-
Delivery (vehicles, spokes)	13	7
Technology	9	7
Fulfilment development	7	6
Other ²	1	2
Total	53	39

1. Capital investment includes tangible and intangible assets and also Ocado's share of the MHE JV Co capital (1H 2015: £2.4 million and 1H 2014: £11.7 million)

2. Other costs include Non Food, head office and other general head office spend

Underlying cashflow

	1H15 (£m)	1H14 (£m)
EBITDA	38.2	34.3
Adjustments for non cash and exceptional items	3.7	1.3
Capital spend	(40.6)	(24.9)
Working capital	1.3	(1.1)
Interest paid	(2.1)	(0.7)
Cash movement excluding financing activities	0.5	8.9
Net cash flows from financing activities	(6.4)	(8.9)
Total movement in cash and cash equivalents	(5.9)	-
Net external cash¹	24.9	64.1

1. This is debt excluding MHE JV Co obligations under finance lease

Debt facility

- Facility extended and increased:
 - 2 year extension to mid 2019
 - Increased from £100 million to £210 million
- Improved pricing and increased covenant headroom
- Sufficient flexibility for Andover and Erith CFC capital requirements

Summary

- Continued growth in competitive market
- Solid UK retail economics
- Capacity plans on track
- Well positioned for future platform opportunities

Tim Steiner

CEO

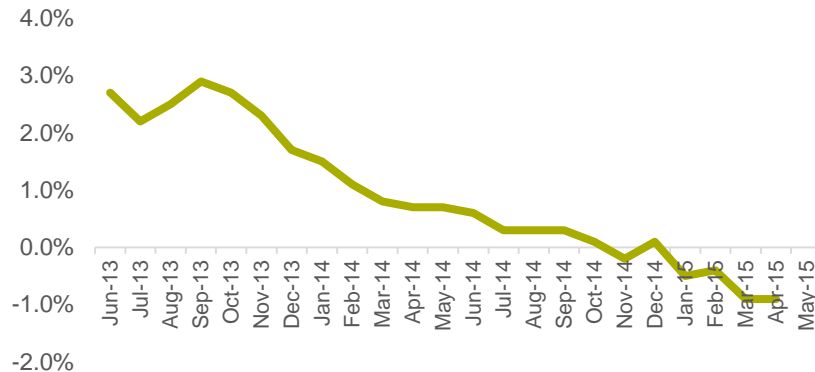
Strategic review

- Challenging market environment
- Positive customer trends
- UK business model progression
- Drivers – progress against our strategic objectives

Challenging market environment

Items in basket stable despite difficult market and growth in new customers

Deflationary pressures in overall market



"25th consecutive month of falling shop prices"

"Food prices have been in deflationary territory for five straight months"

"The [industry] deflation that we see at the moment,..., is around 2.0% for the market"

Average number of basket items steady despite

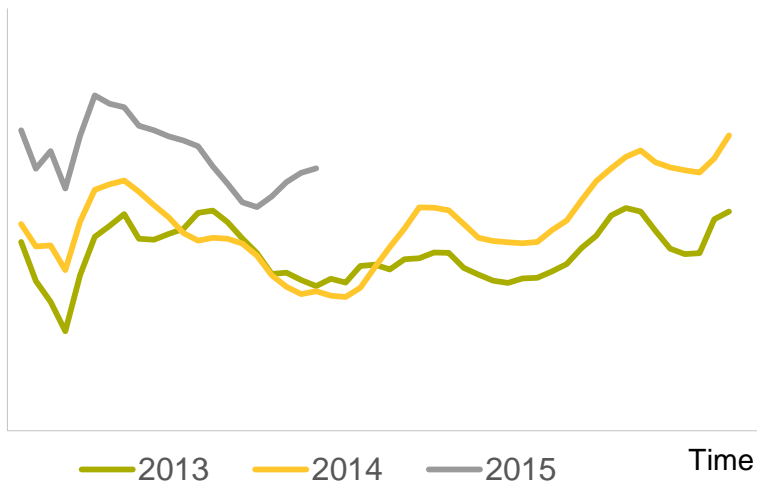
- Deflationary/price pressures in the overall market
- Increasing numbers of new customers - new customer baskets typically smaller
- Continued customer Smart Pass migration
- Destination site orders impact

Source: BRC Nielsen, Tesco

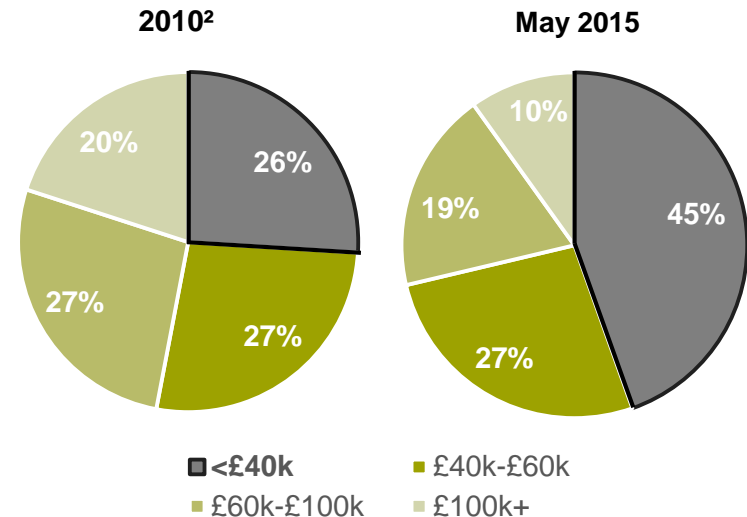
Positive customer trends continue

Strong growth in new customer acquisition & broadening customer base

New customer acquisitions (,000)



New customer household income distribution (by year of registration)¹



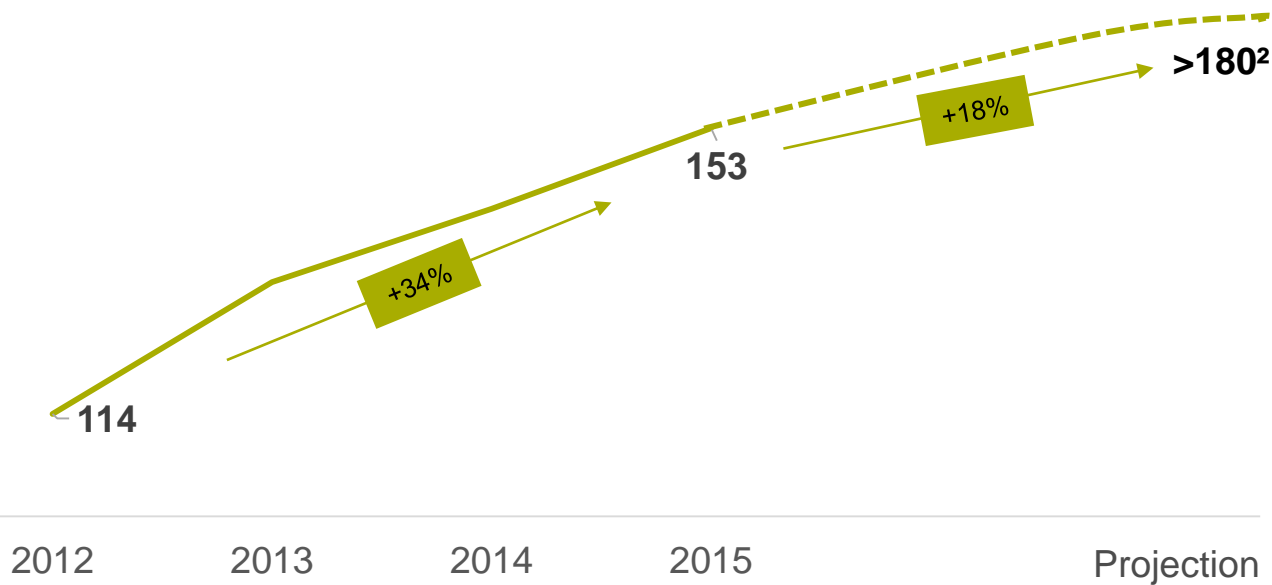
¹May 2015 Survey, cohort analysis

²Based on current customer income as of the May 2015 customer survey

With more efficient operations

Overall CFC efficiency continues to improve as we add more efficient capacity

Mature CFC efficiency¹, UPH



UPH target

Erith
200+ target³

Andover
180+ target³

Dordon
170
(target 180)

Hatfield
150

1. A CFC is considered mature if it has been open 12 months by the start of the half year reporting period
2. Calculated at full capacity, sales weighted, pre further efficiency initiatives
3. Target UPH figures expected 3-4 years after opening

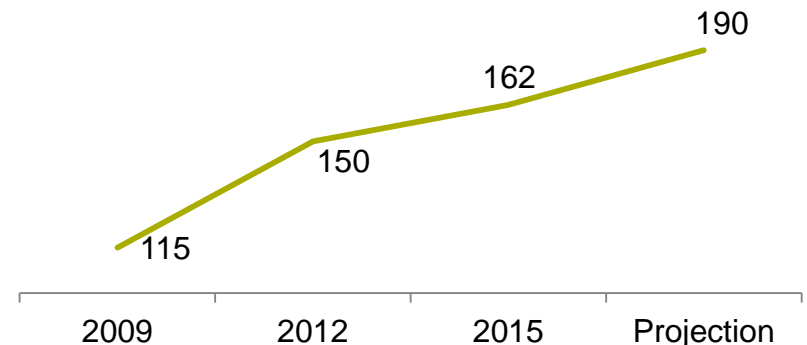
... and a better distribution network

As we add more CFCs and spokes (~4-5 additional spokes to be added during the next 12 months)



- DPV increases steadily as customer density improves, hereby reducing delivery costs
- Trunking costs decrease as we open more CFCs in existing geography

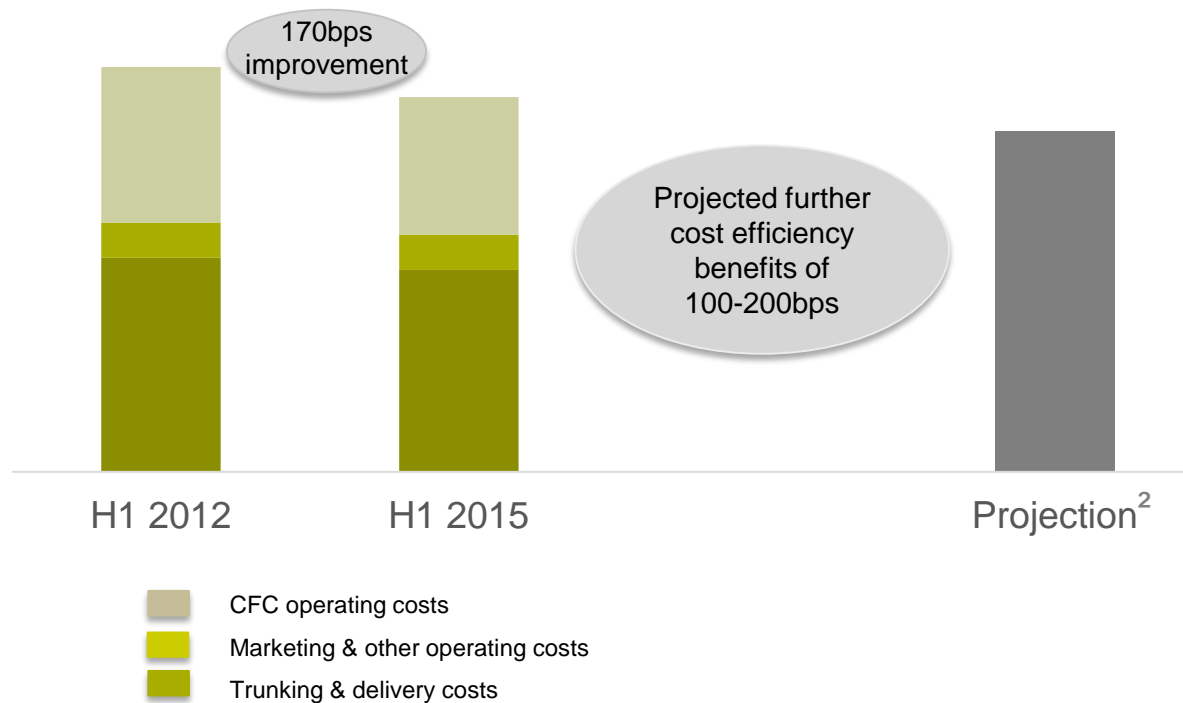
Drops per van/ week (DPV)



Our UK retail business demonstrates the strength of our model

Further improvements in efficiency metrics will have a positive impact on our operating costs

Development in operating costs¹



1. Operating costs are shown excluding administration expenses and depreciation etc

2. Projection varies dependent on a number of factors including sales growth and both selling price and cost inflation

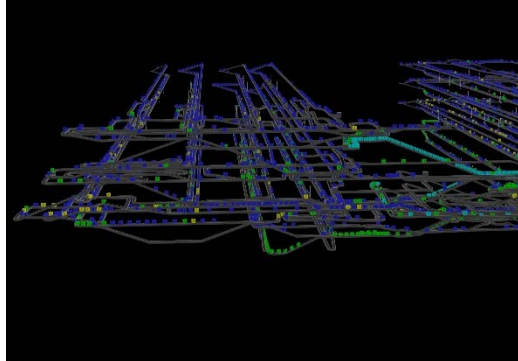
Drivers - Steady progress on strategic objectives

Driving Growth



- Continued customer proposition improvements
- Significant growth in new customer acquisition

Maximising Efficiency










- Continued operational efficiency improvements
- Routing system improvements
- Technology replatforming remains on track

Utilising Proprietary Knowledge



- Morrisons agreement successful
- Advanced discussions further on platform opportunities

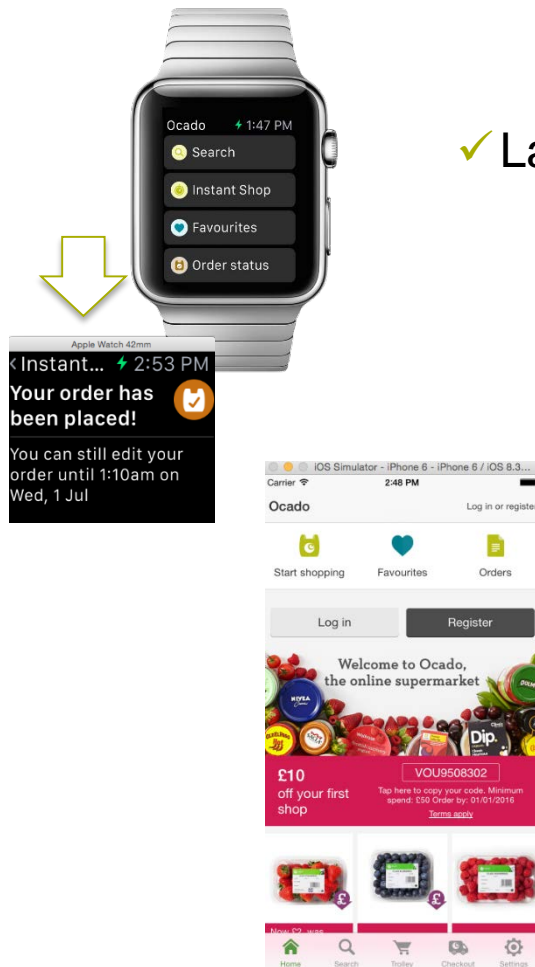
Constantly improving proposition to customers

Retail revenues up 15.1%	Active ¹ customers 471,000	Average basket ² £111.68
Proposition development		
Service	Range	Price
<ul style="list-style-type: none"> Highest and improved service levels Quick and easy to use  	<ul style="list-style-type: none"> Wider range Expanding own label Fresher produce Non-food expansion 	<ul style="list-style-type: none"> More promotions Better value Price commitment Reduced delivery prices 
 95.6% Orders on time or early  99.3% Item accuracy	Ocado > 45,000 SKUs Own label sales growth > 25%	LPP voucher costs remain low >70% of customers' baskets already cheaper at Ocado 

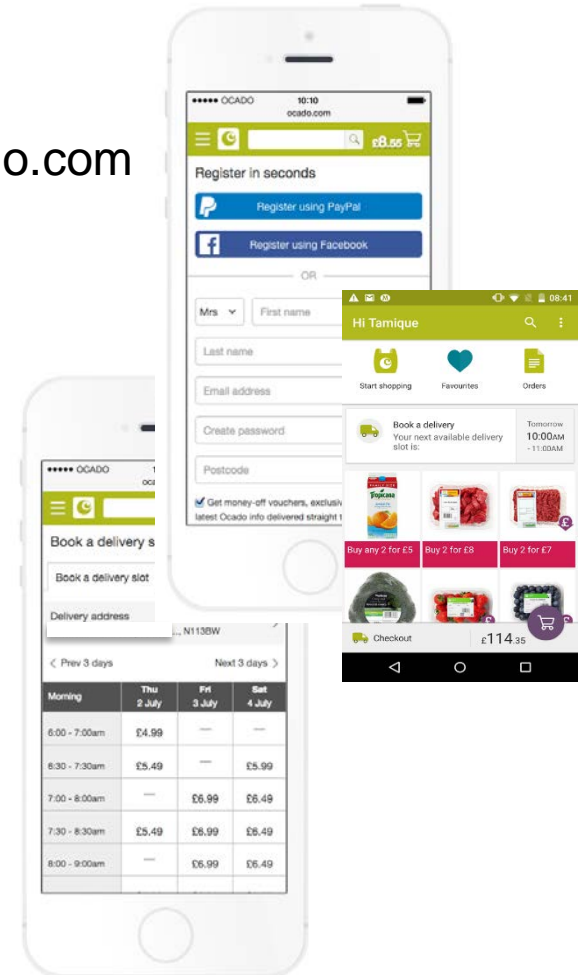
¹ Customer who shopped at least once in last 12 weeks

² Refers to Ocado.com orders and includes orders for Fetch and Sizzle

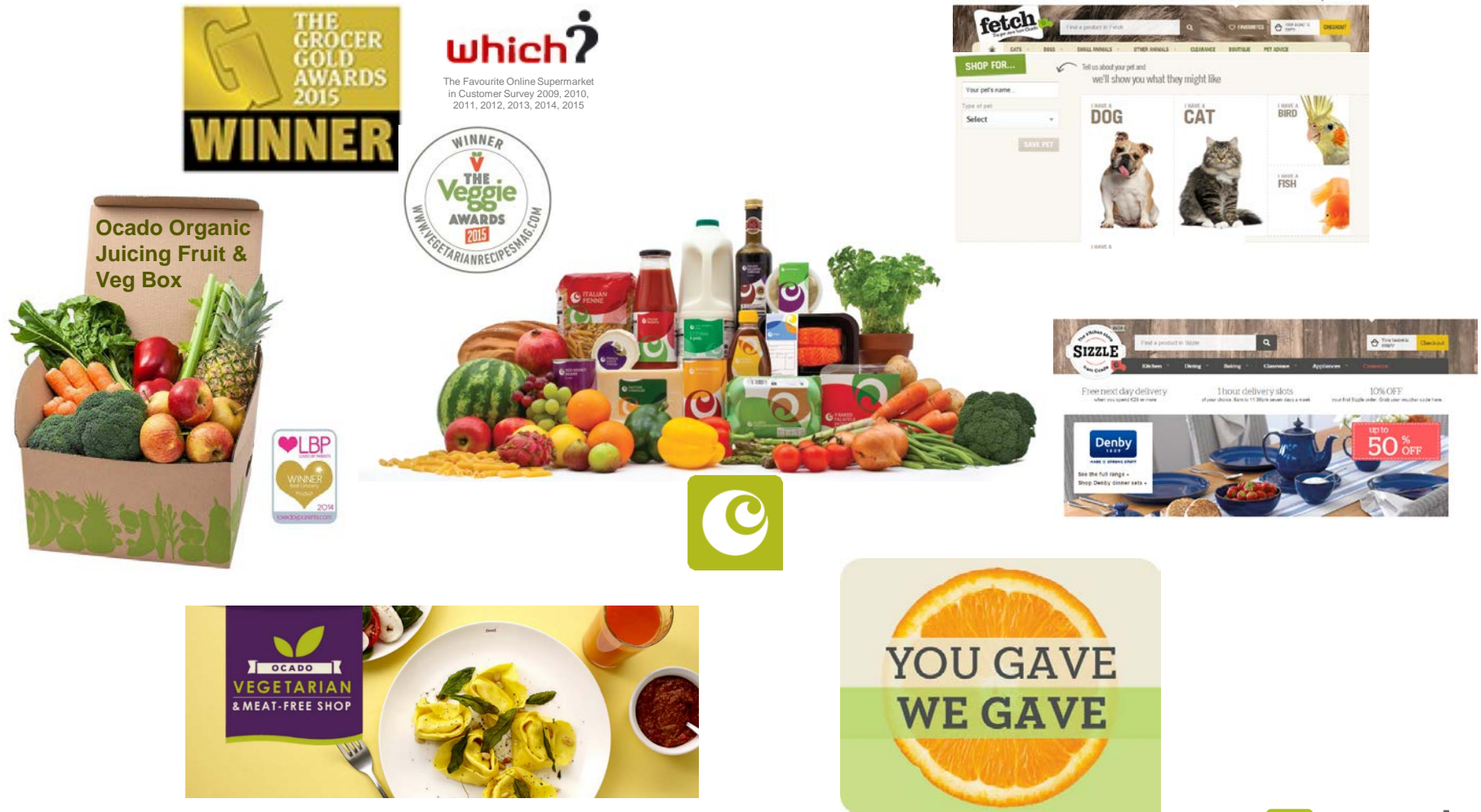
...with focus on developing our user interfaces



- ✓ Launched mobile website for Ocado.com
- ✓ PayPal login & check out
- ✓ Launched Apple Watch app
- ✓ Refreshed app designs
- ✓ Refreshed Android app
- ✓ Optimisation
- ✓ Personalisation
- ✓ Logged out shopping



Continued strengthening of our consumer brands



Enable Morrisons' and future partners' online businesses



- Launched January 2014
- Ramp up progress continues well
- Morrisons announced a 12 month sales run rate of around £200m in March 2015



Ocado Smart Platform (OSP) – International partnership deals



OSP offers retailers:

- Attractive customer proposition
 - Scalable, modular approach
 - Better operational efficiency
 - Ability to extend range significantly
 - Reduced capex, timeframes and risk
 - Compelling economics
- ✓ Inbound partner interest continues
 - ✓ Advanced discussions further with multiple potential partners
 - ✓ Target remains to sign first agreement in 2015

Summary

- Robust UK retail economics in competitive environment
- Customer trends encouraging
- Capacity plans remain on track
- Discussions advancing for future platform opportunities

Q&A



Appendices

- 1. Balance sheet
- 2. Statutory cashflow
- 3. Market update

Appendix 1 – Balance sheet

		1H15 (£m)	1H14 (£m)
Non-current assets	Property, plant and equipment	294.7	226.4
	Other	123.0	103.6
	Total	417.7	330.0
Current assets	Cash and cash equivalents	70.4	110.3
	Other current assets	88.4	69.6
	Total	158.8	179.9
Total Assets		576.5	509.9
Current Liabilities	Trade and other payables	(160.2)	(134.7)
	Obligations under finance leases	(32.9)	(29.8)
	Other current liabilities	(4.4)	(4.9)
	Total	(197.5)	(169.4)
Non-current liabilities	Obligations under finance leases	(138.1)	(116.9)
	Other non-current liabilities	(9.2)	(8.2)
	Total	(147.3)	(125.1)
Total liabilities		(344.8)	(294.5)
Net assets		231.7	215.4

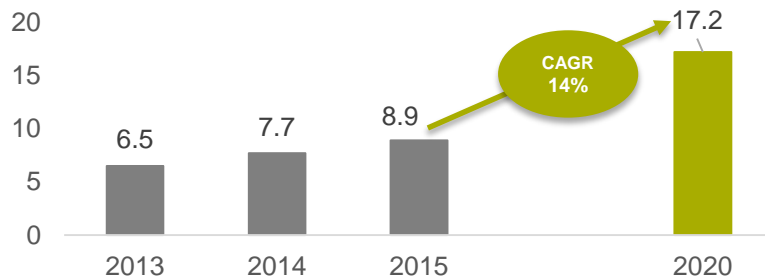
Appendix 2 - Statutory cashflow

	1H15 (£m)	1H14 (£m)
EBITDA	38.2	34.3
Working capital movement	1.3	(1.1)
Exceptional items	-	-
Other non-cash items	3.7	1.3
Finance costs paid	(2.1)	(0.7)
Operating cash flow	41.1	33.8
Capital investment	(40.6)	(24.9)
(Decrease)/Increase in net debt/finance obligations	(9.2)	(12.6)
Proceeds from share issues net of transaction costs	2.8	3.7
Increase/(decrease) in cash and cash equivalents	(5.9)	-

1. Other non-cash items include movements in provisions, share of income from MHE JV Co and share based payment charges

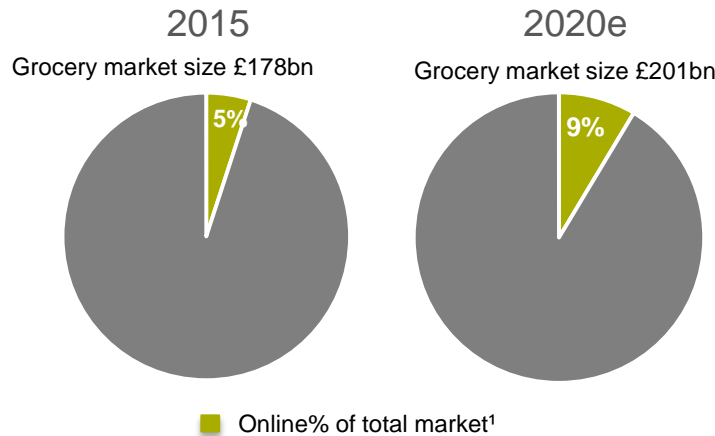
Appendix 3 – Market update

UK Online Grocery Market Size (£bn, incl. VAT)¹



Positive outlook for the online grocery market

- UK grocery market to increase in value by 13% to £201bn over the next five years
- Online to continue to be the fastest growing channel with sales projected to almost double by 2020
- Online and discount channels to account for a combined contribution of 80% of industry growth in the next five years



¹ Source: IGD, data is year to April