

# Ocado Group plc 2012 Preliminary Results

7 February 2013



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# Agenda

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

## *Appendices*

# Duncan Tatton-Brown

## CFO

# Financial summary<sup>1</sup> (52 weeks)

	FY12 (£m)	FY11 (£m)	YOY Growth	FY12 (% Revenue)	FY11 (% Revenue)
Gross sales	716.2	642.8	11.4%		
Revenue	664.0	598.3			
Gross profit	202.8	184.8		30.5	30.9
EBITDA	33.5	27.9	20.4%	5.1	4.7
Depreciation, amortisation & impairment <sup>2</sup>	(28.6)	(26.8)		(4.3)	(4.5)
Interest	(3.6)	(3.5)		(0.5)	(0.6)
Profit/(loss) before tax and exceptional items	1.3	(2.4)		0.2	(0.4)
Exceptional items	(2.3)	—		(0.3)	—
EBT	(1.0)	(2.4)		(0.2)	(0.4)

1) All financial information presented is unaudited

2) Current period excludes £0.9m impairment charge for Coventry spoke which has been included in exceptional items

# Operational KPIs (52 weeks)

	FY12	FY11	% Change
CFC efficiency (units per hour) <sup>1</sup>	120	111	+7.9
Average deliveries per van per week	151	145	+4.2
Average product wastage (% of revenue) <sup>2</sup>	0.7	0.7	-
Items delivered exactly as ordered (%) <sup>3</sup>	98.3	98.3	-
Deliveries on time or early (%)	92.7	92.3	-

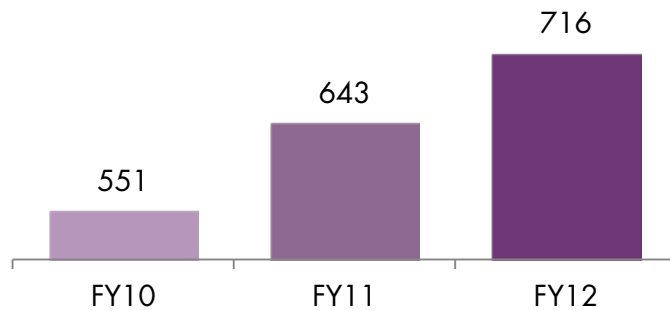
1) Measured as units dispatched from the CFC per hour worked by CFC operational personnel

2) Value of products purged for having passed Ocado's "use by" life guarantee and stock adjustments, divided by revenue

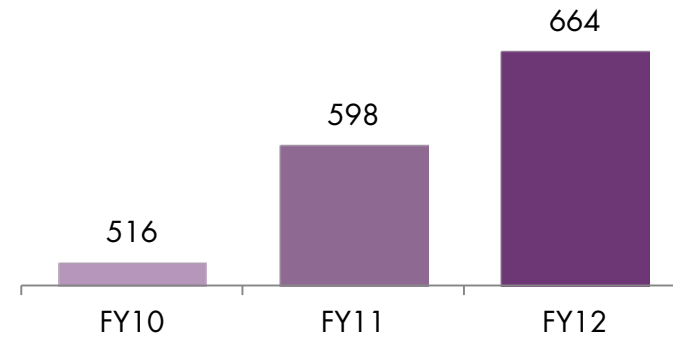
3) Percentage of all items delivered exactly as ordered, i.e. the percentage of items neither missing nor substituted

# Sales drivers (52 weeks)

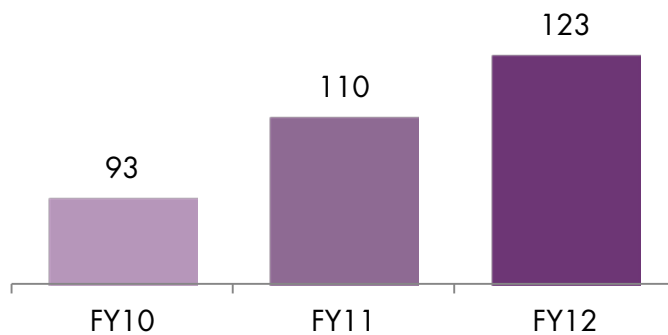
Gross Sales, £m



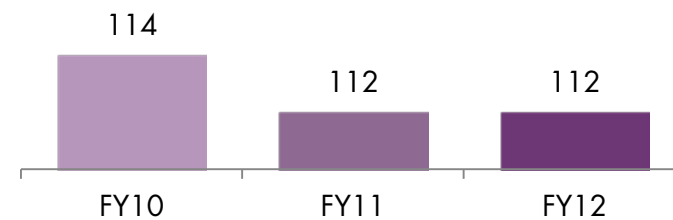
Revenue, £m



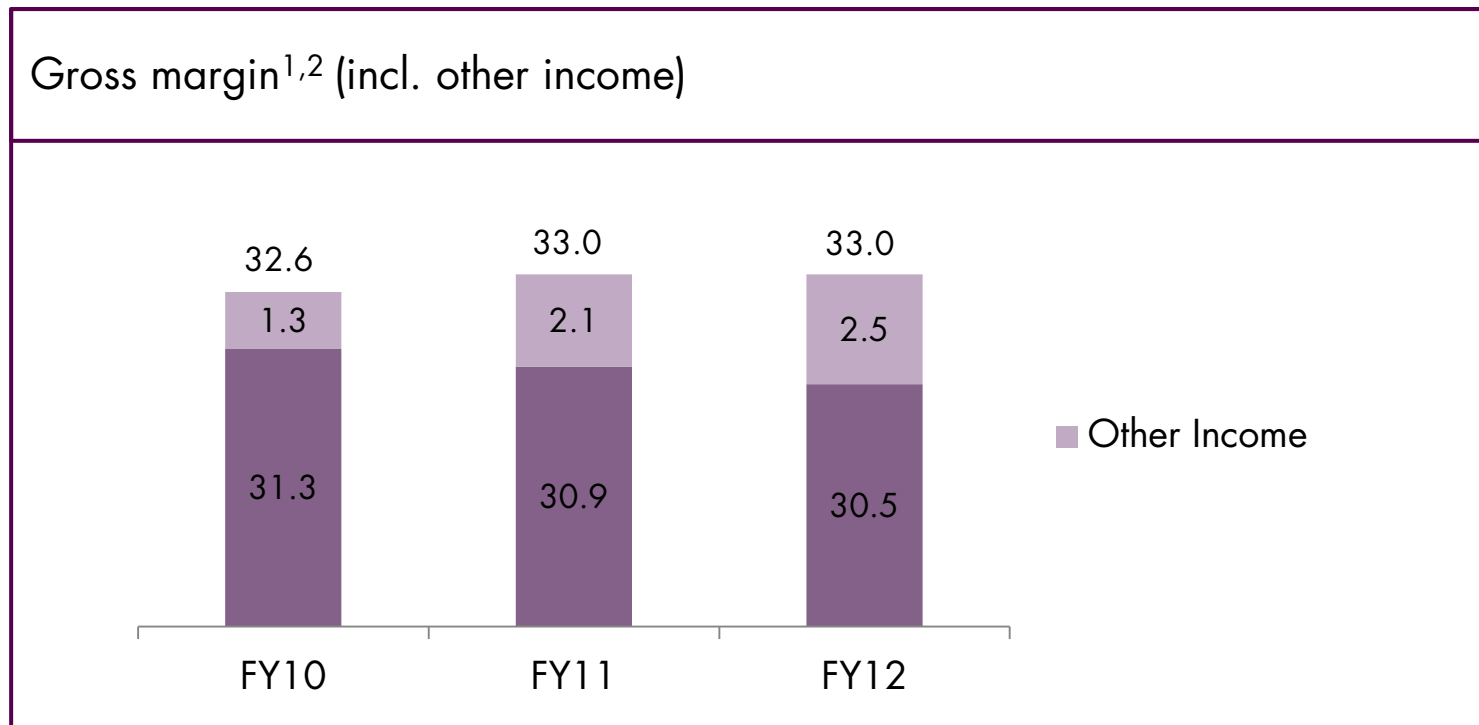
Average Orders Per Week, '000



Average Basket Size, £



# Gross margin %



1) For the 52 weeks ended 25 November 2012

2) Expressed as a percentage of Revenue



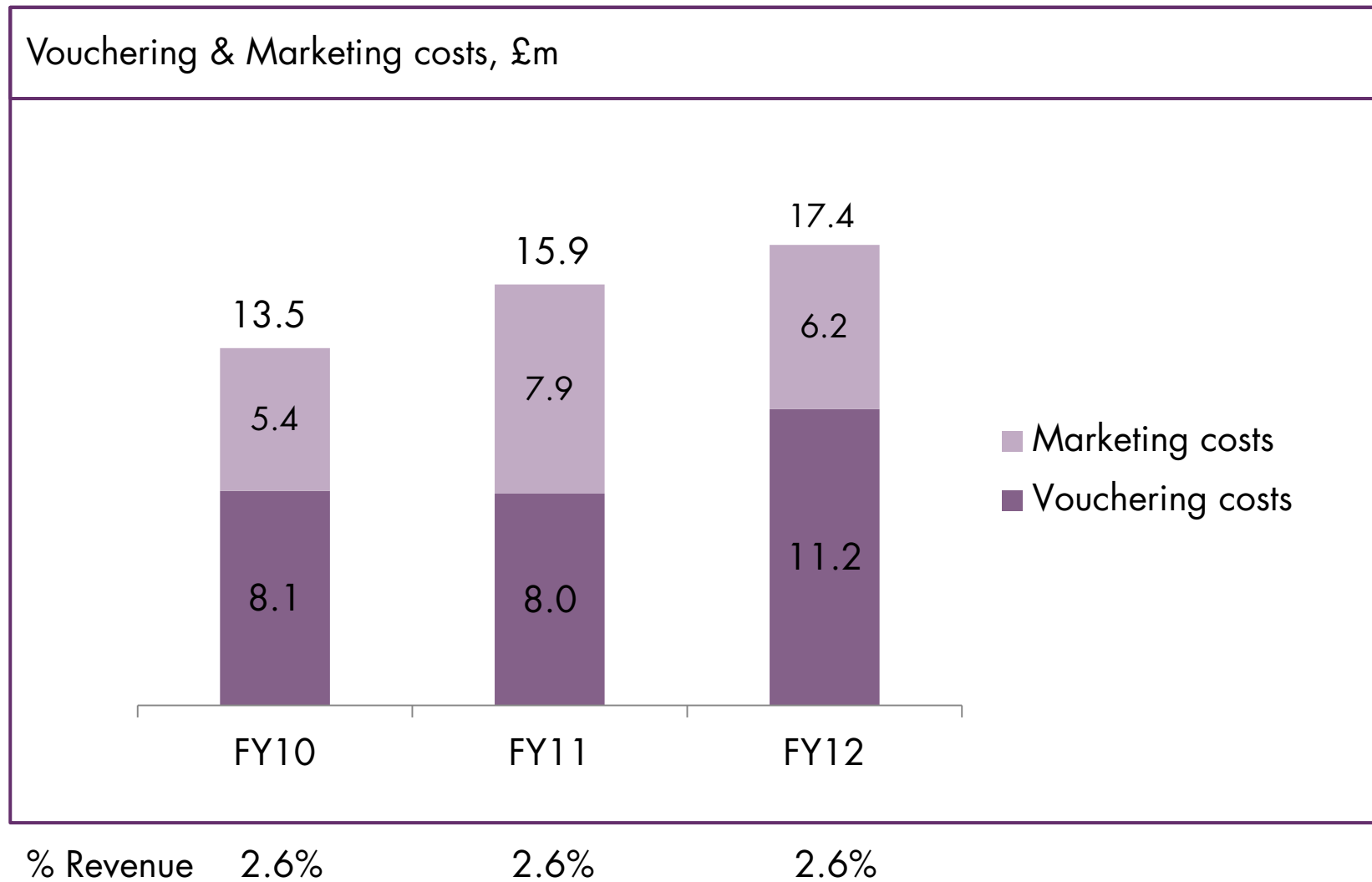
# Operating costs (52 weeks)

	FY12 (£m) <sup>1</sup>	FY11 (£m)	Growth (£m)	FY12 (% Revenue)	FY11 (% Revenue)	Change in % Revenue FY11 – FY12
Trunking & delivery	81.0	71.9	9.1	12.2	12.3	(0.1)
CFC	58.1	55.0	3.1	8.7	8.9	(0.2)
Other operating costs	7.7	6.5	1.2	1.2	1.1	0.1
Administrative expenses	32.6	28.1	4.5	4.9	4.7	0.2
Marketing	6.2	7.9	(1.7)	0.9	1.3	(0.4)
Depreciation & amortisation <sup>2</sup>	28.6	26.8	1.8	4.3	4.5	(0.2)
Total	214.2	196.2	18.0	32.2	32.8	(0.6)

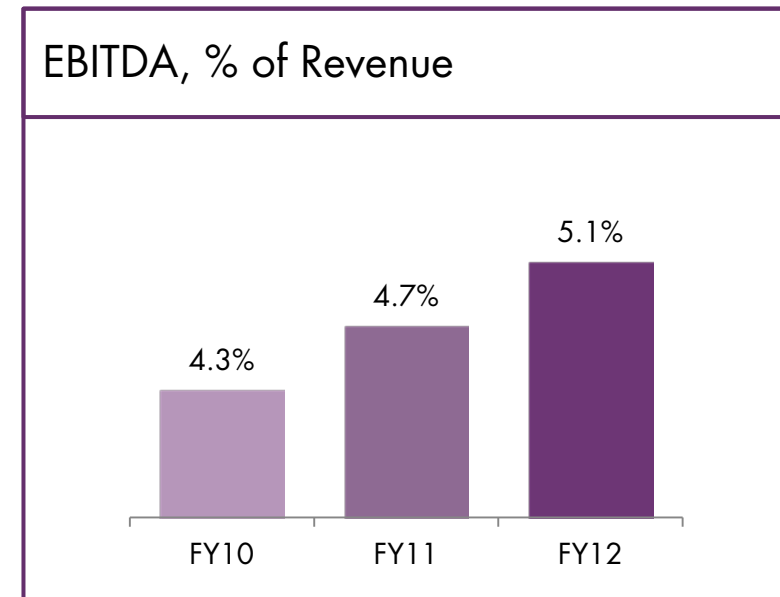
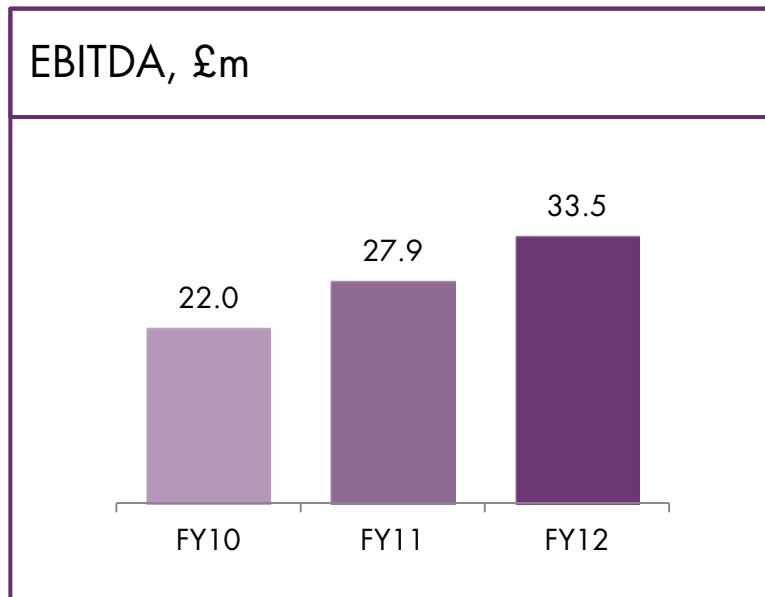
1) Adjusted to exclude exceptional items

2) Current period excludes £0.9m impairments charge which has been included in exceptional items

# Marketing (52 weeks)



# EBITDA (52 weeks)



# Statutory summary

	FY12 (£m) 53 week	FY12 (£m) 52 weeks	FY11 (£m) 52 week
EBITDA	34.5	33.5	27.9
Adjusted <sup>1</sup> profit/(loss) before tax	1.8	1.3	(2.4)
Exceptional items	(2.4)	(2.3)	-
Loss before tax	(0.6)	(1.0)	(2.4)
Tax	(1.8)	(1.8)	1.9
Loss per share	(0.46p)	(0.54p)	(0.10p)

1) Adjusted to exclude exceptional items

# Capital investment

	2012 (£m)	2011 (£m)
CFC 1	15.6	27.7
CFC 2	80.4	72.6
Delivery	8.9	11.8
IT	14.4	12.7
Other <sup>1</sup>	5.2	1.2
Total capital investment <sup>2</sup>	124.5	126.1

1) Includes non-food distribution centre spend of £3.9m in 2012

2) Includes capitalised interest of £4.1m 2012; £0.6m in 2011

# CFC2 total spend

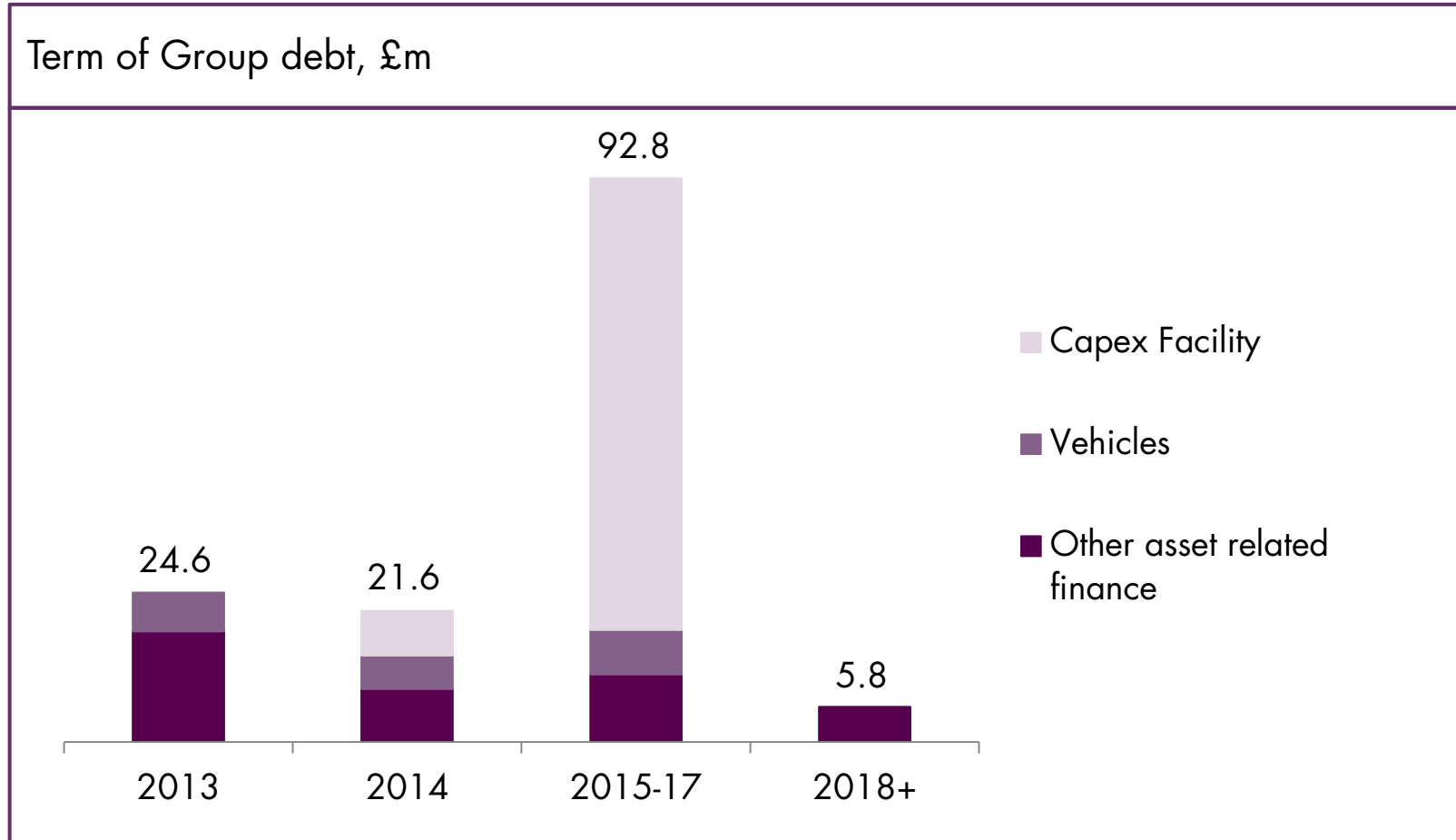
	Phase 1 Forecast Capital £m	Phase 2 Forecast Capital £m
Land & Building	80	-
Fit out <sup>1</sup>	100	24
Technology	10	1
Total <sup>2</sup>	190	25
Weekly order capacity	120 - 130,000	180 - 190,000

- 1) Including material handling equipment and associated works  
 2) Excludes capitalised interest and pre-opening costs

# Cashflow

	FY12 (£m)	FY11 (£m)
EBITDA	34.5	27.9
Exceptional items	(1.5)	-
Capital spend	(96.8)	(114.2)
Working Capital movements	6.7	(1.6)
Financing activities	62.2	61.3
Interest paid	(7.7)	(6.2)
Total cash movement	(2.6)	(32.8)
Exchange adjustments	0.1	0.3
Opening cash	92.1	124.6
Closing cash	89.6	92.1

# Debt profile





# Summary

- Solid performance in 2012
- Financial position stable
- Substantial capacity coming on stream
- Clear pathway to improved profitability and cash generation
  - Scale
  - Innovation and efficiency
  - Significant expansion capital spend completed

# Tim Steiner

## CEO



# Strategy

Strategic objectives

Update for the period

Developing the proposition to customer

- Service and usability enhancements
- Range expansion
- Price initiatives

Growing customer numbers and spend

- Online grocery increasingly important to consumers
- Building an ever growing base of loyal and valuable customers
- Basket is stable

Optimising operations

- Operational efficiency improving
- Clear plans to drive further efficiency

Building capacity

- CFC2 due to open this month
- Non-Food distribution centre open

Proprietary IP and technology at our core

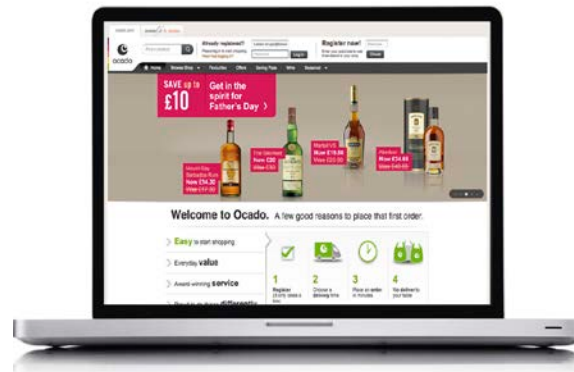
# Developing the proposition to customers

Improving our offer to customers – service, range and price



# Developing the proposition to customers

Making it easier for our customers



"checkouts on apps now 28%"

"mobile checkouts across website growing strongly"

"customers can track their orders in real time"

"webshop improvements to drive increased personalisation and reduce shopping times"

"other usability developments including Facebook login and BBC Good Food shopping functionality"

# Developing the proposition to customers

Range expanded by 40+% to over 28,000 SKUs

## Extending Speciality



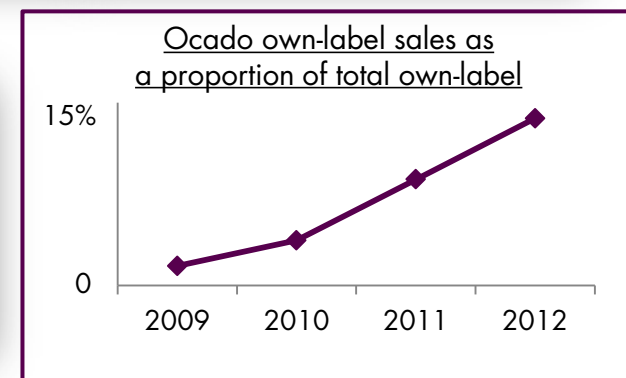
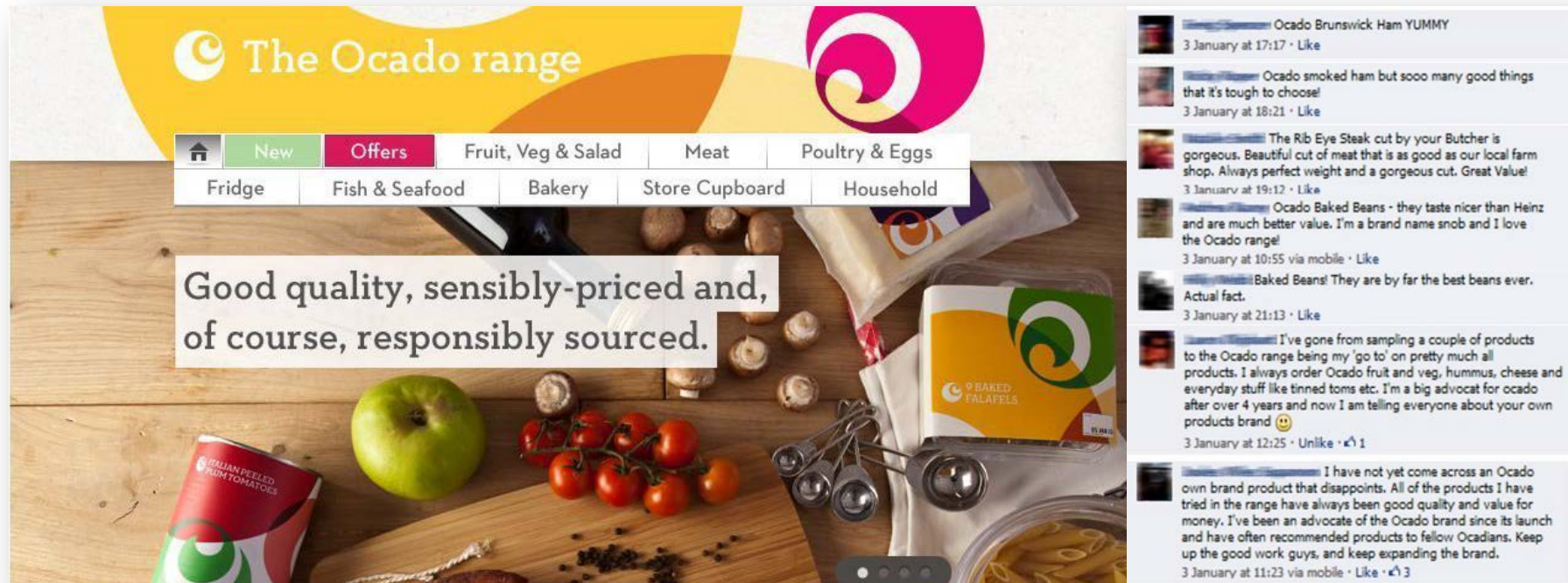
## New Shop in Shops





# Developing the proposition to customers

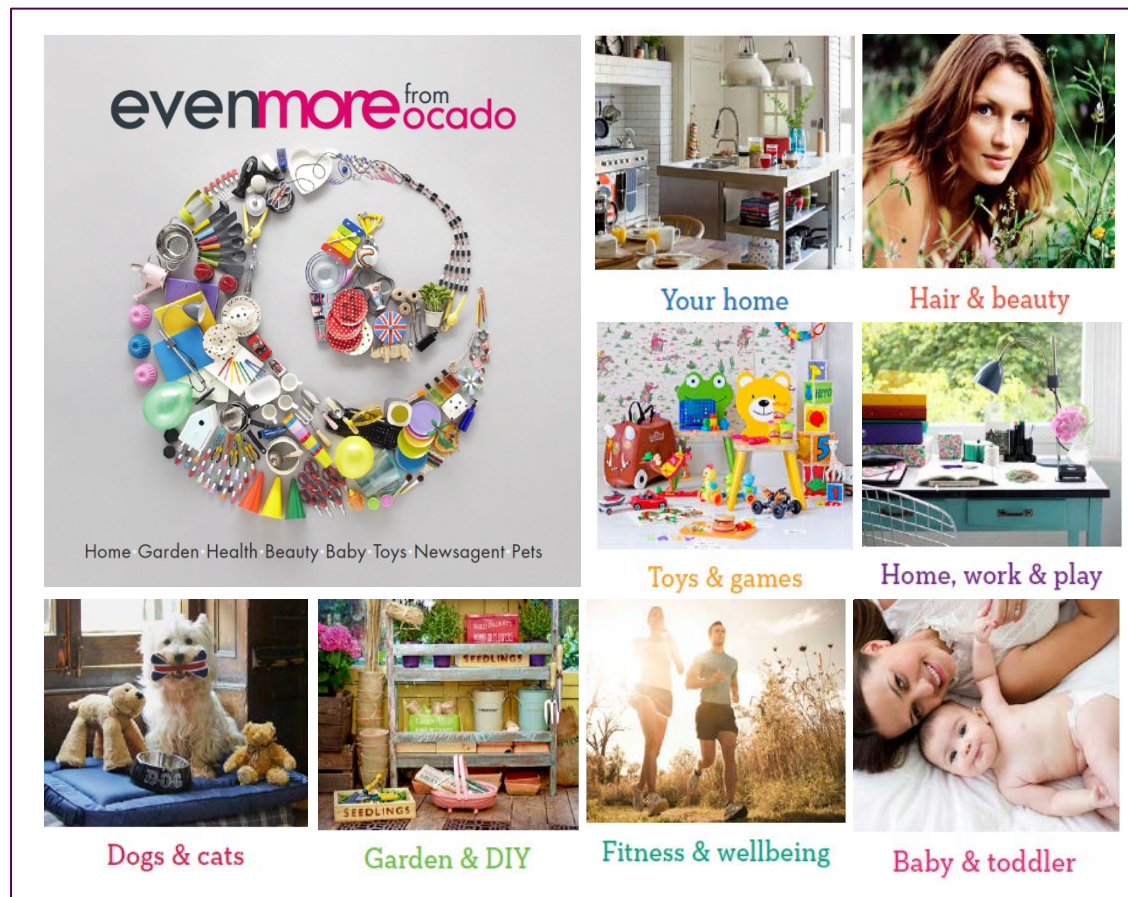
Ocado own-label now 15% of total own-label sales, up over 70% year on year



# Developing the proposition to customers

Non-Food expanding now over 8,000 SKUs and growing rapidly

## evenmore<sup>from</sup>ocado



- Dedicated distribution centre opened January 2013
- Supports extension of Non-Food range
- Orders integrated with grocery deliveries



# Developing the proposition to customers

Ocado is increasingly price competitive



**Cheaper than Tesco or we'll give you a voucher**

MoVIs, MATURE FARMHOUSE CHEDDAR, Low price promise

Terms apply.

**Low price promise**

Ocado  
Liked · 1 October 2012

You'll save a few pennies, maybe more, but either way we do all the checking for you. All you have to do is shop.

Check out our Low Price Promise - <http://bit.ly/PZFHNm>

Tag photo Add location Edit

Unlike · Comment · Share · Edit

Ocado and 5,309 others like this.

358 shares

View previous comments 6 of 764

Write a comment...



2 for £4.00 NIVEA

2 for £5.00 spoiltpig

shop now

Dine in for two for £10

STAR BUYS HALF PRICE

Save on family favourites



Ocado. Cheaper than Tesco

or we'll give you a voucher for more than the difference.

Low price promise




Saving Pass

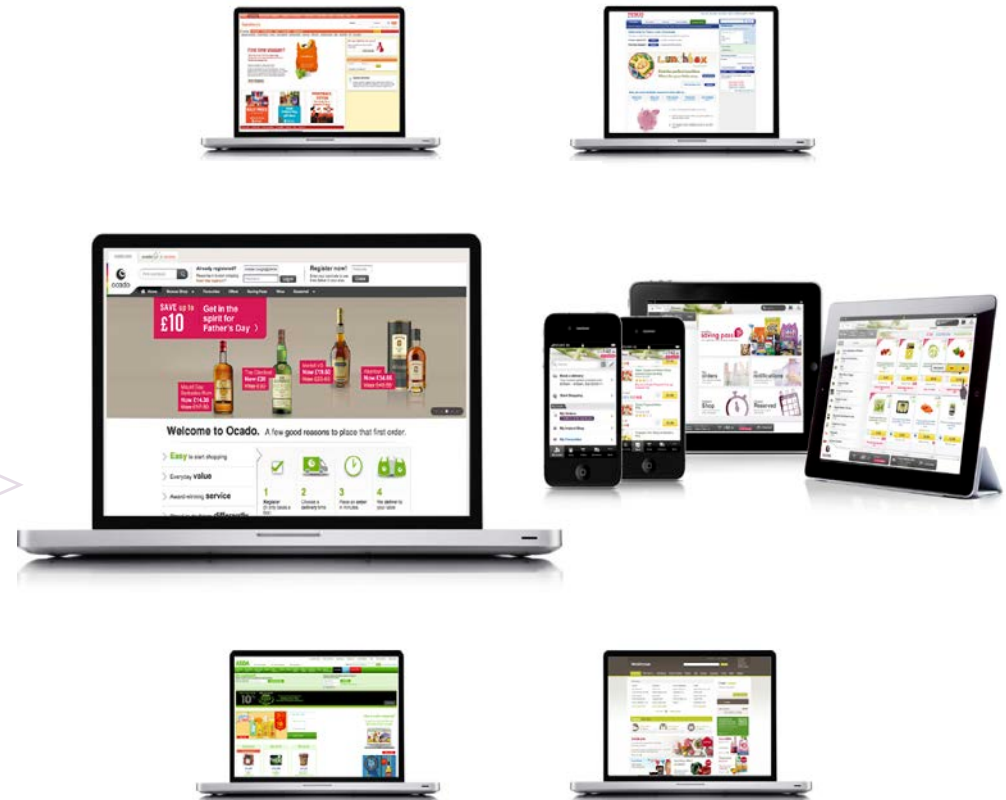
10% off

Discounts on your favourite brands all year round

# Growing customer numbers and spend

Online important to grocery shoppers, resulting in ever increasing numbers migrating from stores

UK Grocery market: £163 billion<sup>1</sup>

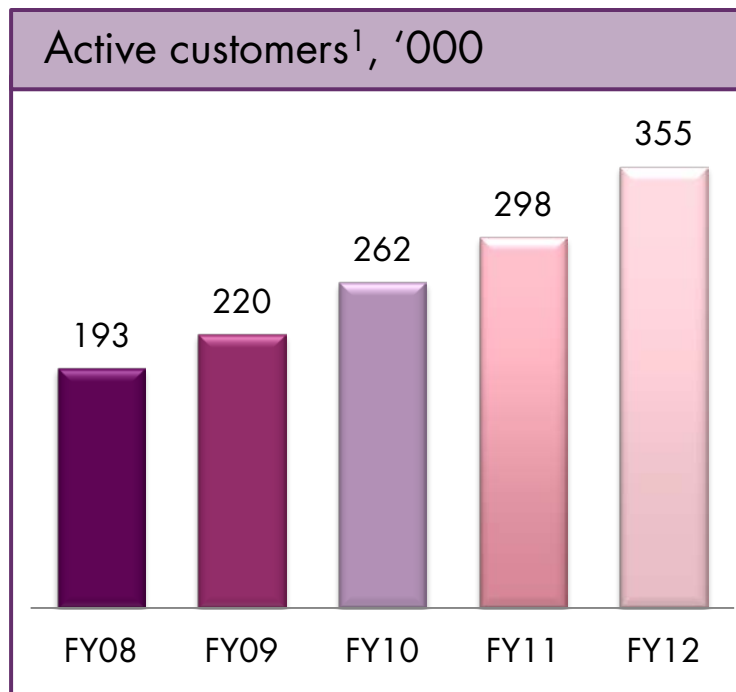


Annual online grocery market growth c15%<sup>1</sup>

<sup>1</sup>) Source: IGD, Exane BNP Paribas estimates

# Growing customer numbers and spend

Active customers growing, new customers increasing, retention and basket stable



## Customer

- New customer growth gaining momentum
- Retention rate stable

## Basket

- Basket stable

### Upward lift

- Inflation
- Non-Food

### Downward Pressure

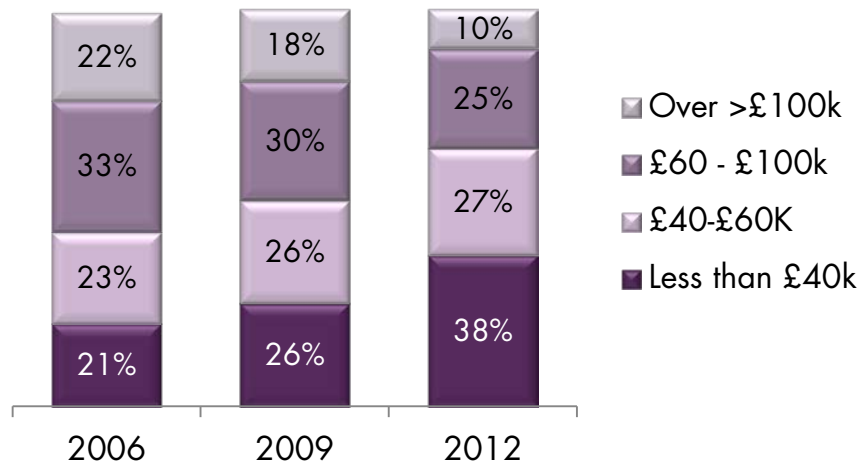
- New customers
- Own-label up
- Trading down

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

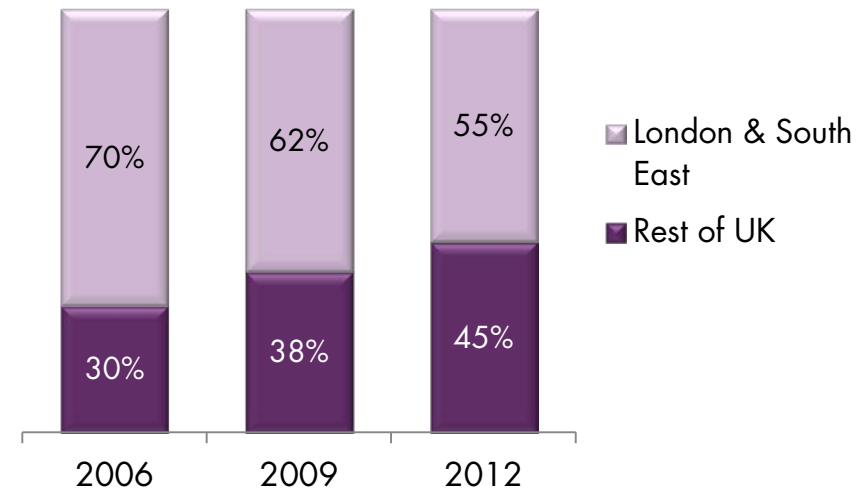
# Growing customer numbers and spend

Income and location demographics continue to broaden

Income demographics – new customers

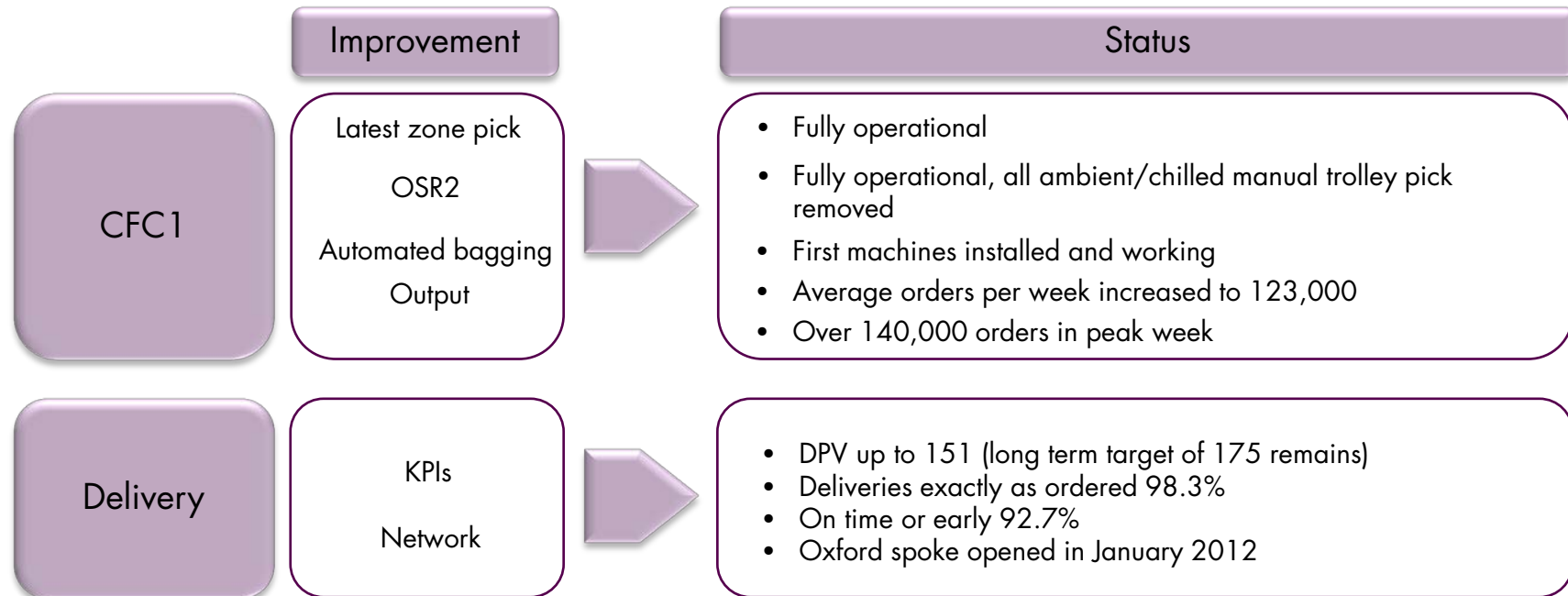


Location – new customers



# Optimising operations and building capacity

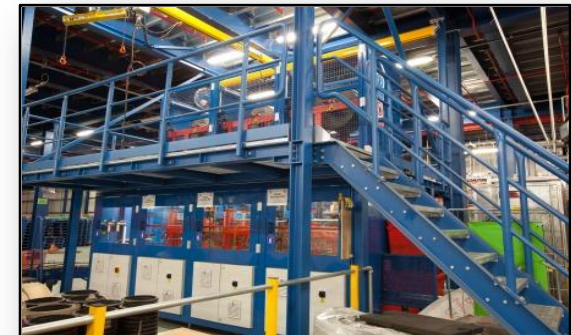
Increasing capacity, efficiency and resilience



OSR2



Zone Pick

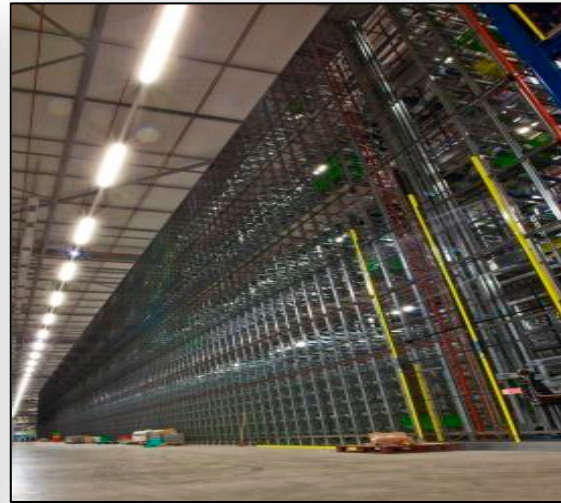


Bagging Machine



# Optimising operations and building capacity

CFC2



- Stocking started
- First order due by end of February
- Initial new capacity 120 - 130,000 orders per week
- On budget

# Optimising operations and building capacity

Delivery catchment area does not change, efficiency and capacity improve

Ocado coverage – over 70% of UK population



# Summary

## Opportunities to drive profitability and cash generation

	Now	Opportunity	Driven by	Time
Gross margin	Similar to Waitrose	✓✓	<ul style="list-style-type: none"> <li>• Scale</li> <li>• Own label and range growth</li> <li>• Building supplier relationships</li> </ul>	Medium/long
Picking	Lowest cost in industry	✓✓	<ul style="list-style-type: none"> <li>• CFC2 benefits</li> <li>• Further automation</li> </ul>	Short/medium
Delivery	Competitive	✓✓	<ul style="list-style-type: none"> <li>• Scale increasing customer density</li> </ul>	Gradual
Fixed costs	Can support significantly bigger operation	✓	<ul style="list-style-type: none"> <li>• Scale</li> </ul>	Short/medium
Capex	End of high capex phase	✓✓✓	<ul style="list-style-type: none"> <li>• Modest maintenance capex</li> </ul>	Short



# Q&A

# Appendices

## Appendix 1:Balance sheet

		FY12 (£m)	FY11 (£m)
Non-current assets	Property, plant and equipment	280.3	194.1
	Other	29.9	23.3
	Total	310.2	217.4
Current assets	Cash and cash equivalents	89.6	92.1
	Other current assets	48.5	52.2
	Total	138.1	144.3
<b>Total assets</b>		<b>448.3</b>	<b>361.7</b>
Current Liabilities	Trade and other payables	(94.1)	(75.6)
	Obligations under finance leases	(19.8)	(19.6)
	Other current liabilities	(3.7)	(4.3)
	Total	(117.6)	(99.5)
Non-current liabilities	Obligations under finance leases	(31.1)	(42.6)
	Other non-current liabilities	(93.9)	(46.7)
	Total	(125.0)	(89.3)
<b>Total liabilities</b>		<b>(242.6)</b>	<b>(188.8)</b>
<b>Net assets</b>		<b>205.7</b>	<b>172.9</b>

## Appendix 2: Capital spend; reconciliation of actual spend to reported cash

	FY12 (£m)	FY11 (£m)
Reported capital investment	124.5	126.1
Non cash additions of finance leases	(7.6)	(9.3)
Capitalised interest costs	(4.1)	(0.6)
Net movement in provisions and reserves	(2.8)	1.2
Net movement in invoices received, not paid	(11.6)	(3.9)
Net movement in accruals	(1.6)	0.7
Cash capital spend	<b>96.8</b>	<b>114.2</b>