

Ocado Group plc Half Year Results

26 June 2012

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Agenda

- Financial Review – Richard Exact
- Business Review – Tim Steiner
- Q&A

Richard Exact

Director of Finance & Risk

Highlights

Financial Highlights

- Gross sales up 12.0% to £332.3m
- EBITDA¹ up 4.5% to £14.9m (EBITDA margin² 4.8%)
- Net Assets £172.3m
- Cash £65.4m, Net Debt £71.3m

Statutory Highlights

- Revenue up 11.4% to £308.0m
- Operating profit £1.7m compared to £2.4m in 2011
- Profit before tax of £0.2m, in line with last year

Operational Highlights

- Average orders per week up 13.0% to 122,000
- Items delivered exactly as ordered were 98.3% for the period
- Deliveries on time or early were 93.2% for the period

1) EBITDA is a non-GAAP measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items

2) Expressed as a percentage of revenue

Financial summary

	1H12 (£m)	1H11 (£m)
Gross sales	332.3	296.7
Revenue	308.0	276.6
Gross profit	93.8	85.0
EBITDA	14.9	14.3
Exceptional items	(0.3)	-
Depreciation & amortisation	(12.9)	(11.9)
EBIT ¹	1.7	2.4
Net Interest	(1.6)	(2.2)
EBT ¹	0.2	0.2

	1H12 (% Revenue)	1H11 (% Revenue)
	30.5	30.7
	4.8	5.2
	(0.1)	-
	(4.2)	(4.3)
	0.6	0.9
	(0.5)	(0.8)
	0.1	0.1

1) 1H12 includes exceptional item of £0.3m relating to preopening CFC2 costs

KPIs

	1H12	1H11	% Change	2H11
Average order size (£) ¹	113.10	114.09	(0.9)	110.13
Average orders per week	122,000	108,000	13.0	112,000
CFC efficiency (units per hour) ²	114	114	-	109
Average deliveries per van per week	150	142	5.6	147
Average product wastage (% of revenue) ³	0.73	0.67	n/a	0.73
Items delivered exactly as ordered (%) ⁴	98.3	98.0	n/a	98.6
Deliveries on time or early (%)	93.2	92.7	n/a	91.9

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

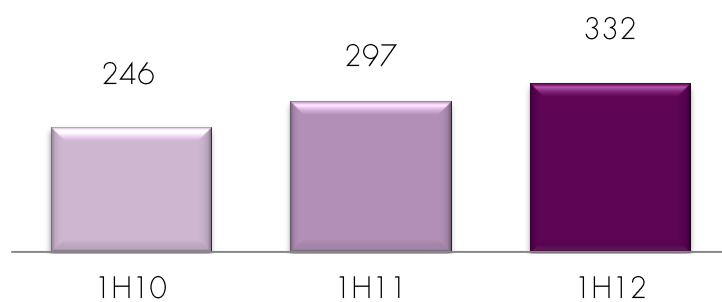
2) Measured as units dispatched from the CFC per hour worked by CFC operational personnel

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

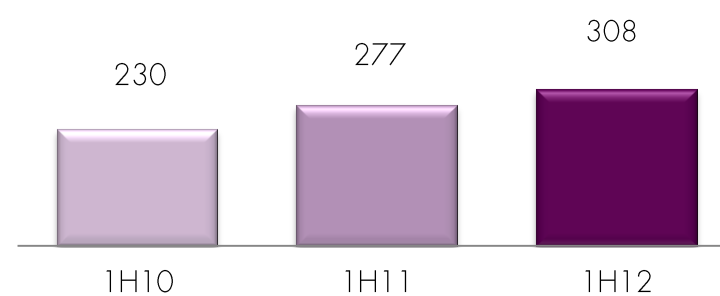
4) Percentage of all items delivered exactly as ordered, i.e. the percentage of items neither missing nor substituted

Sales drivers

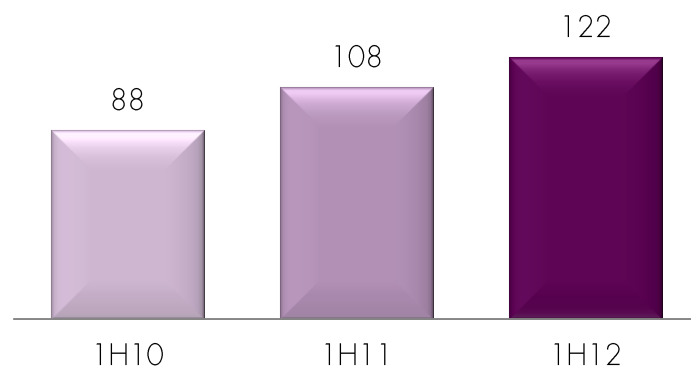
Gross sales, £m



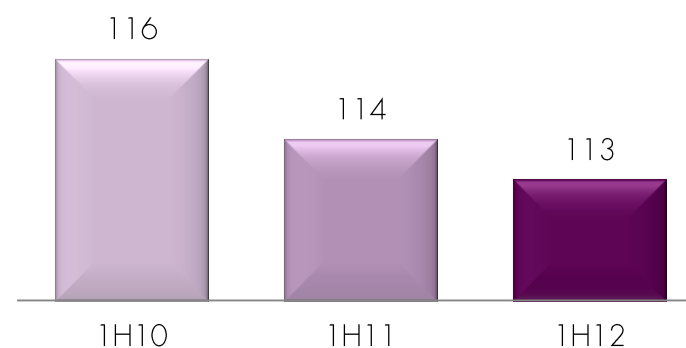
Revenue, £m



Average orders per week, '000

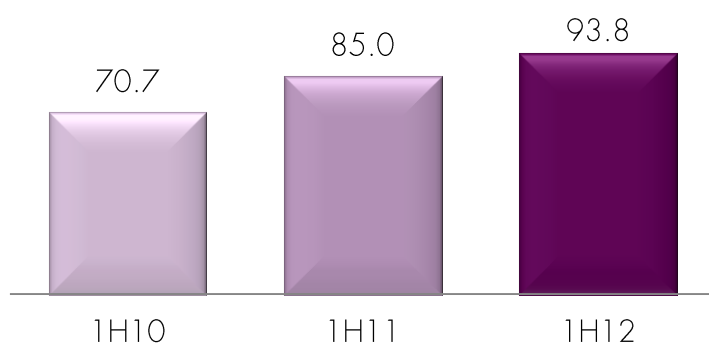


Average order size, £

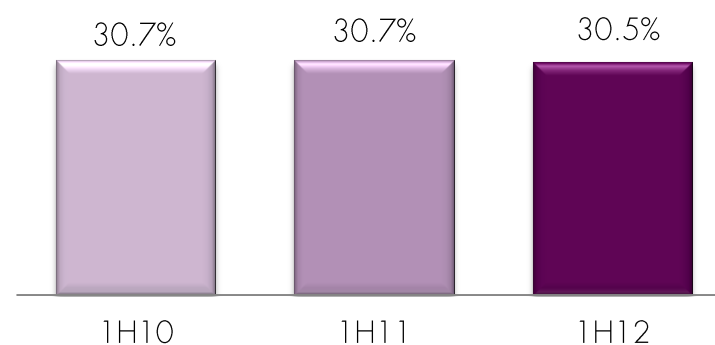


Gross profit

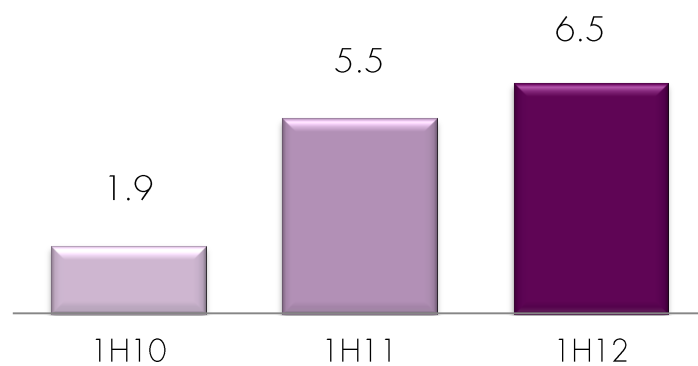
Gross profit, £m



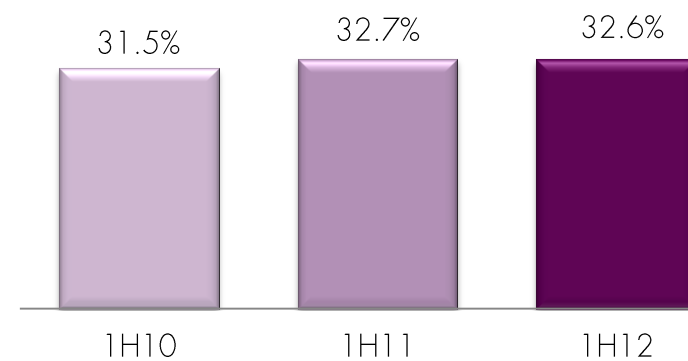
Gross margin¹



Other income, £m



Gross margin¹ (incl. other income)



1) Expressed as % of revenue

Operating costs

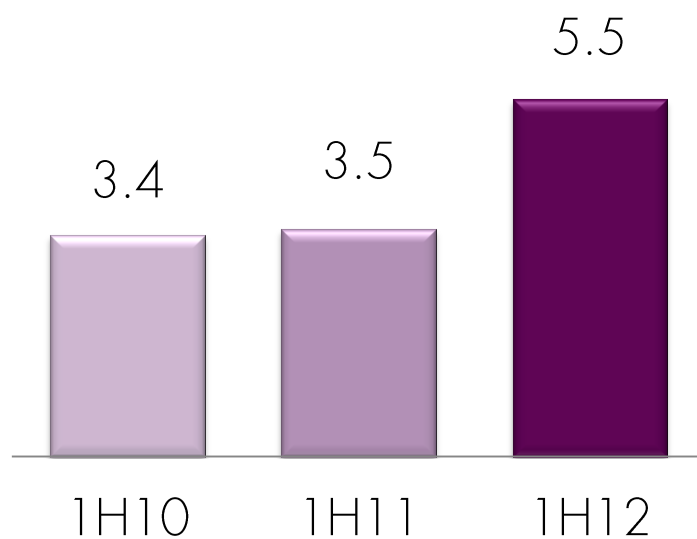
	1H12 (£m)	1H11 (£m)	Change	1H12 (% Revenue)	1H11 (% Revenue)	Change in % Revenue 1H11 – 1H12
Total ¹	98.3	88.1	11.6%	31.9	31.8	0.1
Trunking & delivery ²	37.5	33.3	12.8%	12.2	12.0	0.2
CFC ²	27.3	24.3	12.2%	8.8	8.8	0.0
Other operating costs	3.5	2.9	22.5%	1.1	1.0	0.1
Admin expenses (including marketing)	17.1	15.8	8.3%	5.5	5.7	(0.2)
Depreciation & amortisation	12.9	11.9	8.5%	4.2	4.3	(0.1)

1) 1H12 excludes exceptional item of £0.3m relating to pre-opening CFC2 costs

2) Reallocation of £1.7m between trunking & delivery costs and CFC costs in prior year (1H11)

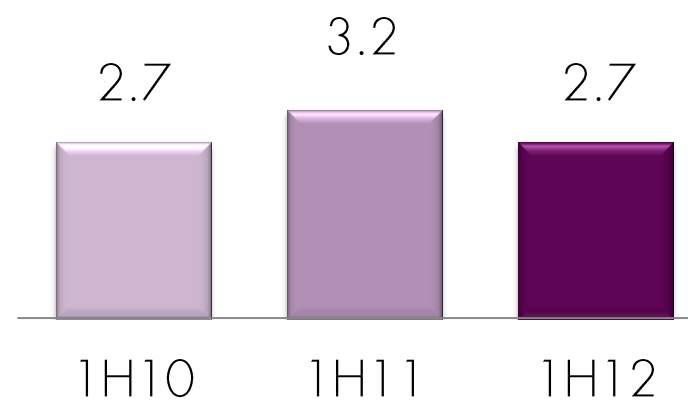
Marketing

Vouchering costs, £m



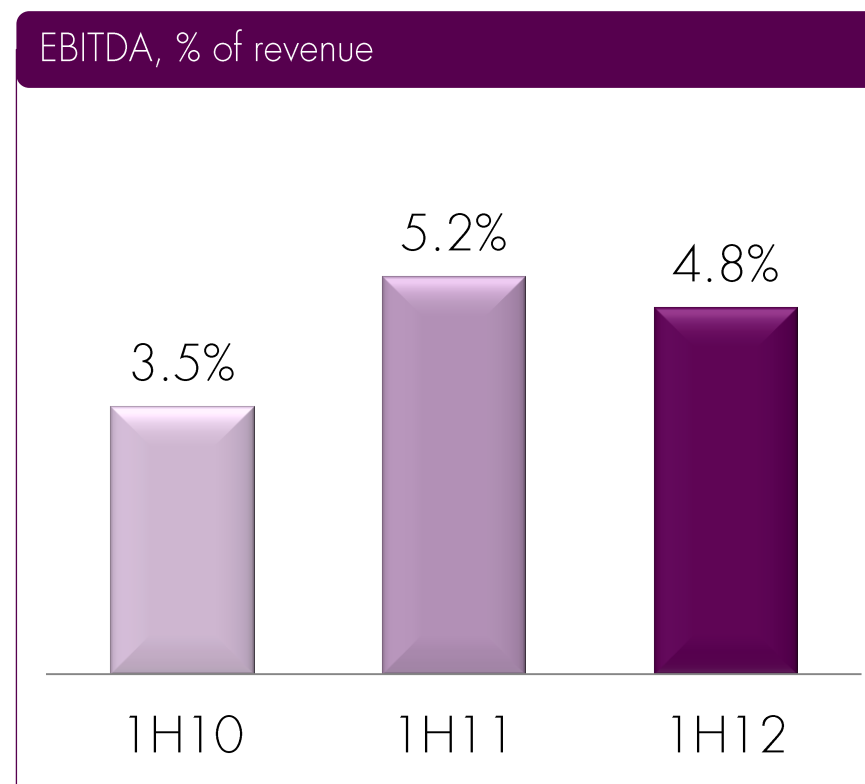
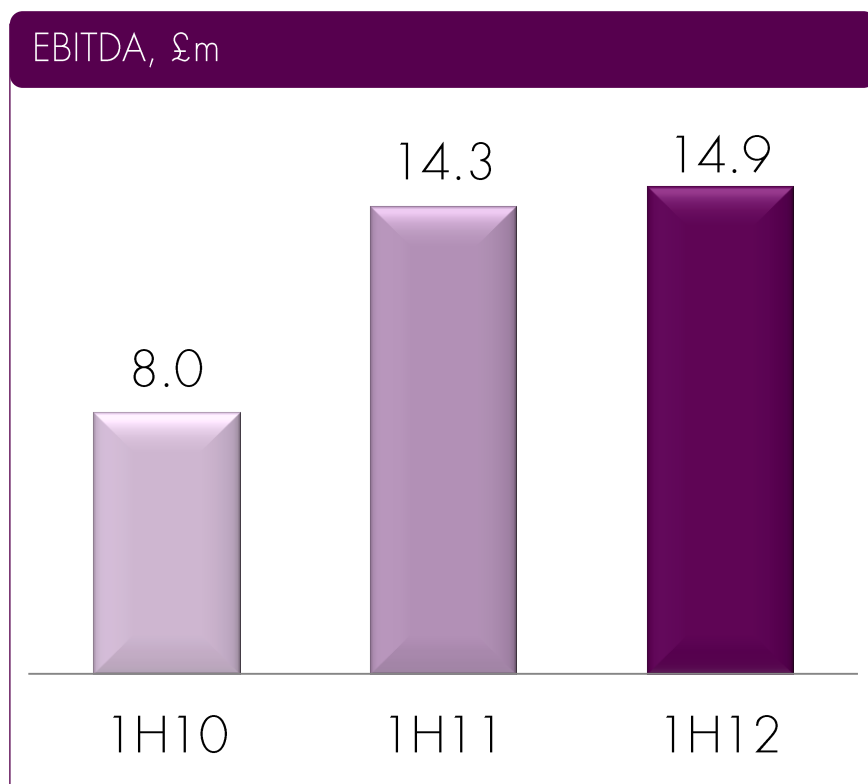
% revenue 1.5% 1.2% 1.8%

Marketing costs, £m



1.2% 1.2% 0.9%

EBITDA

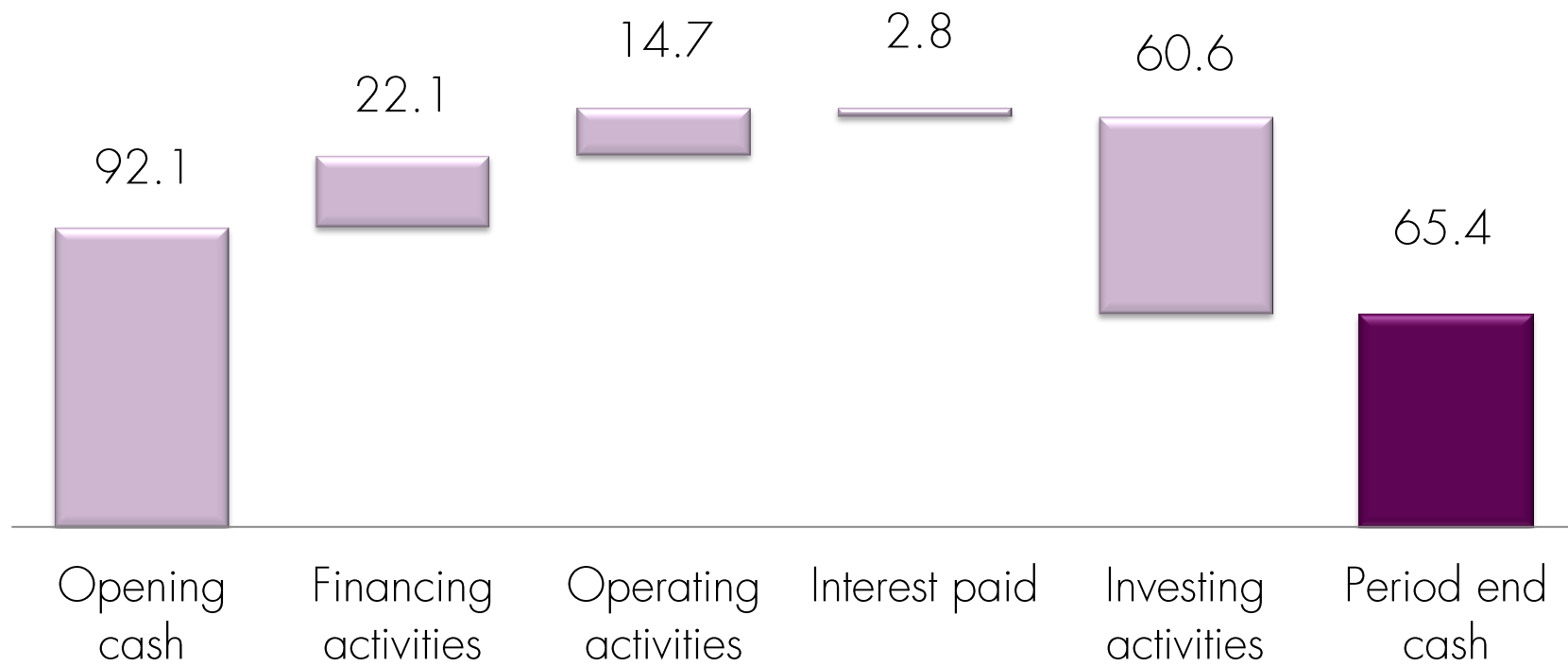


Balance Sheet

		1H12 (£m)	FY11 (£m)	1H11 (£m)
Non-current assets	Property, plant and equipment	249.3	194.1	134.4
	Other non-current assets	26.5	23.3	18.9
	Total	275.8	217.4	153.3
Current assets	Cash and cash equivalents	65.4	92.1	123.6
	Other current assets	49.4	52.2	43.7
	Total	114.8	144.3	167.3
Total assets		390.6	361.7	320.6
Current liabilities	Trade and other payables	(78.1)	(75.6)	(69.9)
	Obligations under finance leases	(20.5)	(19.6)	(18.9)
	Other current liabilities	(5.6)	(4.3)	(4.2)
	Total	(104.2)	(99.5)	(93.0)
Non-current liabilities	Obligations under finance leases	(36.6)	(42.6)	(44.5)
	Borrowings	(76.5)	(45.8)	(7.0)
	Other non-current liabilities	(1.0)	(0.9)	(0.5)
	Total	(114.1)	(89.3)	(52.0)
Total liabilities		(218.3)	(188.8)	(145.0)
Net assets		172.3	172.9	175.6

Cashflow

Cashflow, £m



Capital investment

	1H12 (£m)
Total CAPEX	71.4
CFC1	9.0
CFC2	49.7
Vehicles	2.9
Spokes	0.5
IT	7.2
Other ¹	2.1

1) Includes other staff capitalisation costs

Summary

- Sales grown in line with market expectations
- Operational efficiency improving with introduction of new CFC capital equipment and software upgrades
- Strong cash position with £65.4m cash and total undrawn facilities of £46.7m

Tim Steiner

CEO



Overview

Highlights for period

Increasing capacity, efficiency and resilience

- CFC1 capacity continues to increase
 - Average orders per week increased to 122,000
 - 138,000 orders delivered in peak week
- Operational efficiency improving in CFC and distribution operation
 - New enhancements including OSR2 “go live”
 - UPH increasing
 - Improvement in delivery KPIs
- CFC2 remains on budget and expected to open Q1 2013

Improving our offer to customers

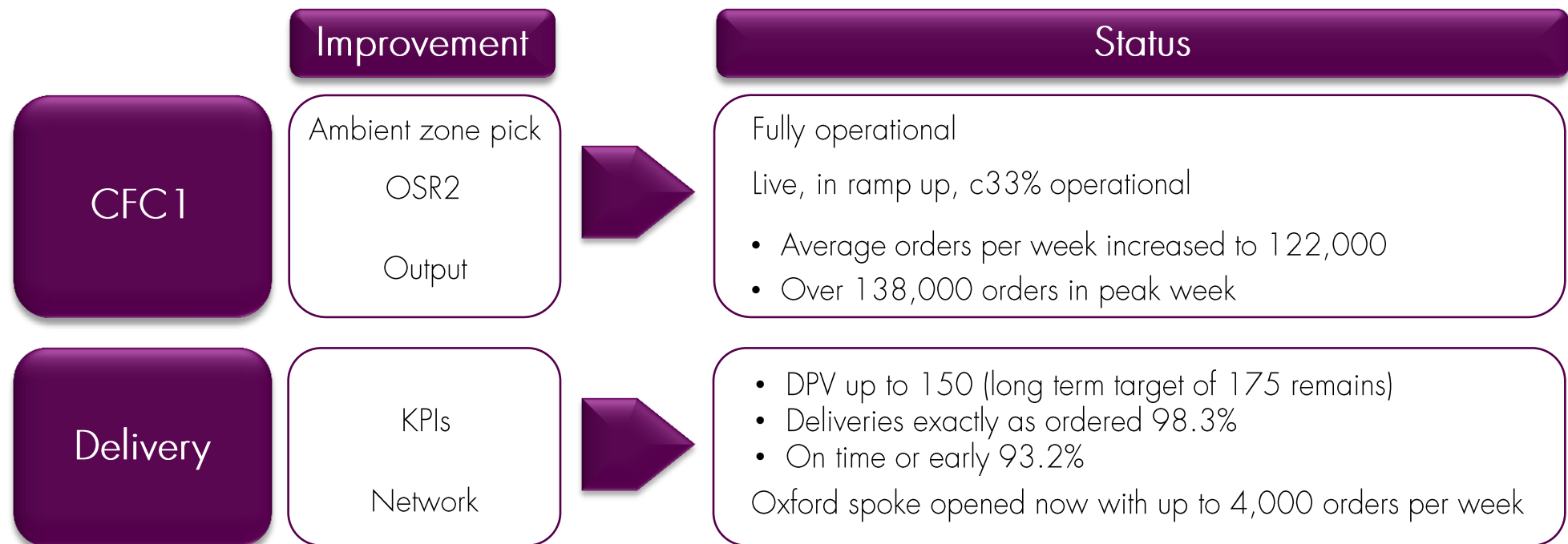
- Range at half year at record levels - 22,500 SKUs - and growing
 - Own label found in almost 80% of customer orders
- Improved navigation and more specialist “shop in shop” ranges
- Non-food expansion (moving from supermarket to hypermarket)
- Maintain Tesco Price Match (following “Big Price Drop”) on over 8,000 products and further roll out of Savings Pass
- Increased promotional activity and development of demand levers
- Number of active customers 337,000 – strong growth in lower income demographic
- Latest web shop roll out, mobile app transactions now up to almost 24%

Market

- Channel shift continues growing the online grocery market

Innovation and technology at our core

Increasing capacity, efficiency and resilience



CFC2



Zone Pick



OSR



Pallet Recovery

Improving our offer to customers



Range expanding, easy to navigate

"Free from"



Speciality

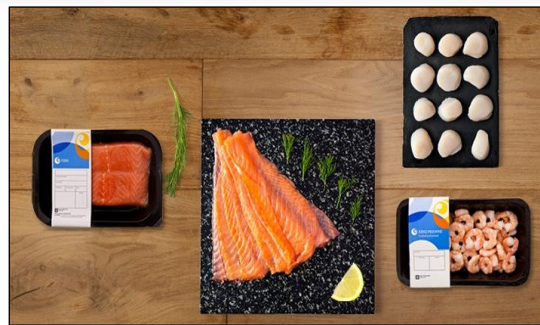


Shop in shops



Ocado own-label

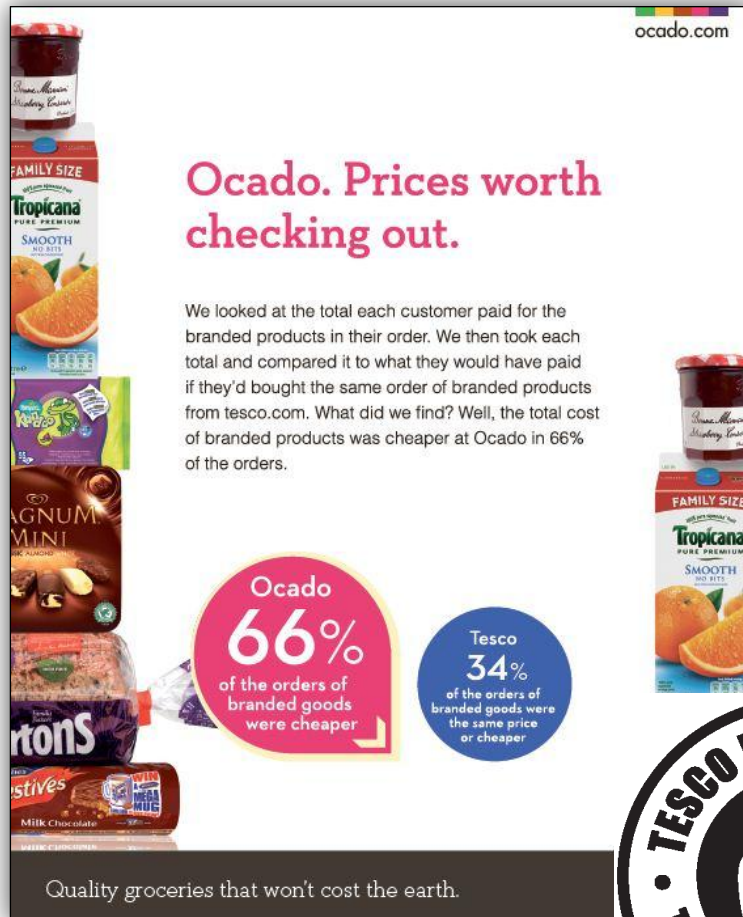
An advertisement for Ocado's baked goods range. The headline reads "The Ocado range - baked to perfection" in a large, dark red serif font. Below it, a subtitle in a smaller, dark grey sans-serif font says "GOOD QUALITY, SENSIBLY PRICED AND, OF COURSE, RESPONSIBLY SOURCED". The background is a light pink with a large, faint, stylized number "1" in the background. Below the text, a variety of baked goods are displayed in two rows. The top row includes a loaf of braided bread, a square seed bun, a cluster of five yellow cupcakes, four rectangular biscuits with ridges, a 2x2 grid of four square scones with a cross pattern, a round flatbread, and four round chocolate chip cookies. The bottom row features a round chocolate chip cookie, four pink and white swirl cupcakes, a round flatbread, a 3x3 grid of nine small chocolate truffles, five round pastries with cream and fruit, a 2x2 grid of four round buns, and four long pastries with different fillings and toppings. At the bottom left, there is a red button with a white play icon and the text "Shop now". At the bottom right, there is a dark grey navigation bar with five white dots, the fourth of which is filled.



Non-food expanding



Price



ocado.com

Ocado. Prices worth checking out.

We looked at the total each customer paid for the branded products in their order. We then took each total and compared it to what they would have paid if they'd bought the same order of branded products from tesco.com. What did we find? Well, the total cost of branded products was cheaper at Ocado in 66% of the orders.

Ocado
66%
of the orders of branded goods were cheaper

Tesco
34%
of the orders of branded goods were the same price or cheaper

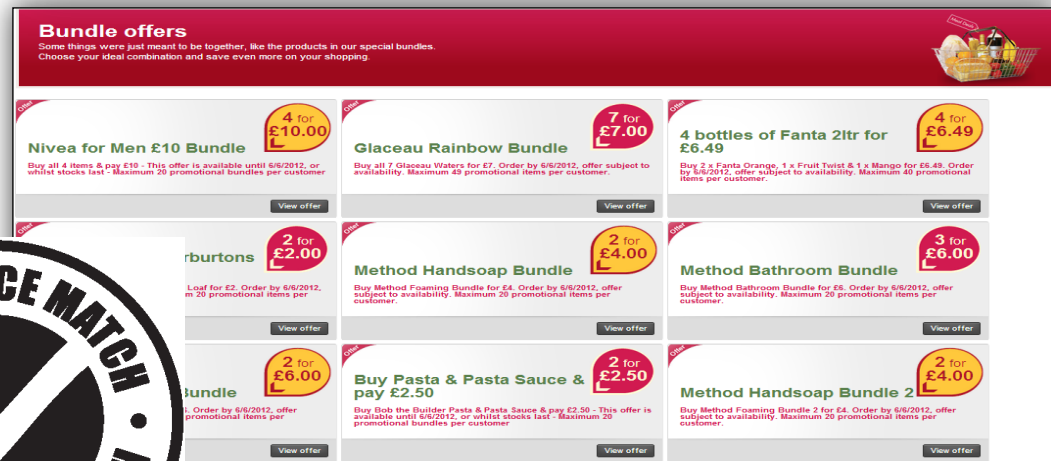
Quality groceries that won't cost the earth.



Saving Pass

At least **10% Off**

Discounts on your favourite brands all year round



Bundle offers

Some things were just meant to be together, like the products in our special bundles. Choose your ideal combination and save even more on your shopping.

Nivea for Men £10 Bundle Buy all 4 items & pay £10. This offer is available until 6/6/2012, or whilst stocks last - Maximum 20 promotional bundles per customer. 4 for £10.00 View offer	Glaceau Rainbow Bundle Buy all 7 Glaceau Waters for £7. Order by 6/6/2012, offer subject to availability. Maximum 45 promotional items per customer. 7 for £7.00 View offer	4 bottles of Fanta 2ltr for £6.49 Buy 2 x Fanta Orange, 1 x Fruit Twist & 1 x Mango for £6.49. Order by 6/6/2012, offer subject to availability. Maximum 40 promotional items per customer. 4 for £6.49 View offer
burtons Loaf for £2. Order by 6/6/2012, offer subject to availability. Maximum 20 promotional items per customer. 2 for £2.00 View offer	Method Handsoap Bundle Buy Method Foaming Bundle for £4. Order by 6/6/2012, offer subject to availability. Maximum 20 promotional items per customer. 2 for £4.00 View offer	Method Bathroom Bundle Buy Method Bathroom Bundle for £6. Order by 6/6/2012, offer subject to availability. Maximum 20 promotional items per customer. 3 for £6.00 View offer
Method Handsoap Bundle 2 Buy Method Foaming Bundle 2 for £4. Order by 6/6/2012, offer subject to availability. Maximum 20 promotional items per customer. 2 for £4.00 View offer	Buy Pasta & Pasta Sauce & pay £2.50 Buy Bob the Builder Pasta & Pasta Sauce & pay £2.50 - This offer is available until 6/6/2012, or whilst stocks last - Maximum 20 promotional bundles per customer. 2 for £2.50 View offer	Method Handsoap Bundle 2 Buy Method Foaming Bundle 2 for £4. Order by 6/6/2012, offer subject to availability. Maximum 20 promotional items per customer. 2 for £4.00 View offer



Stimulating demand

Partners/Social Media



GREAT
BRITISH
CHEFS

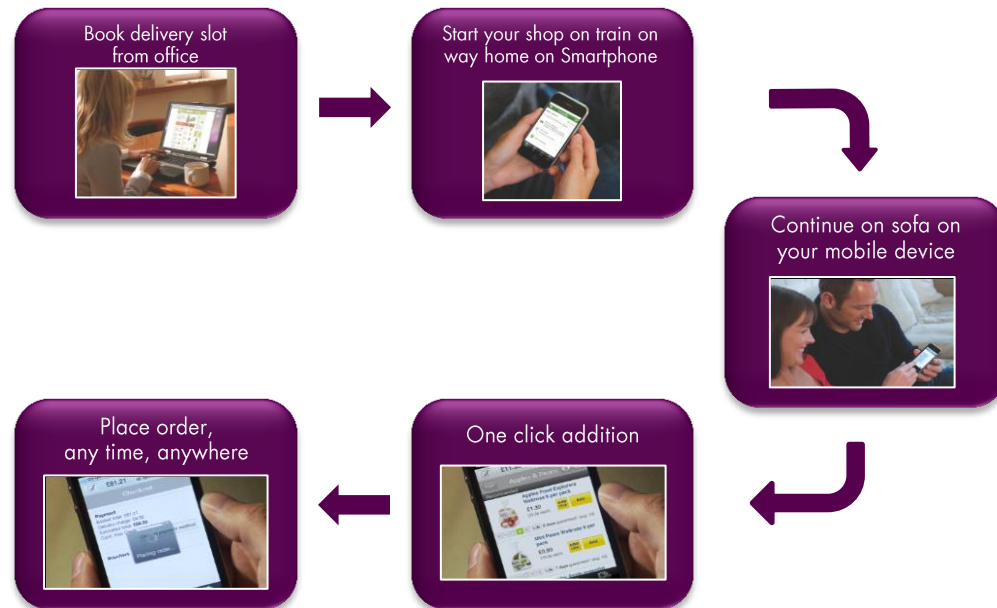
Promotions



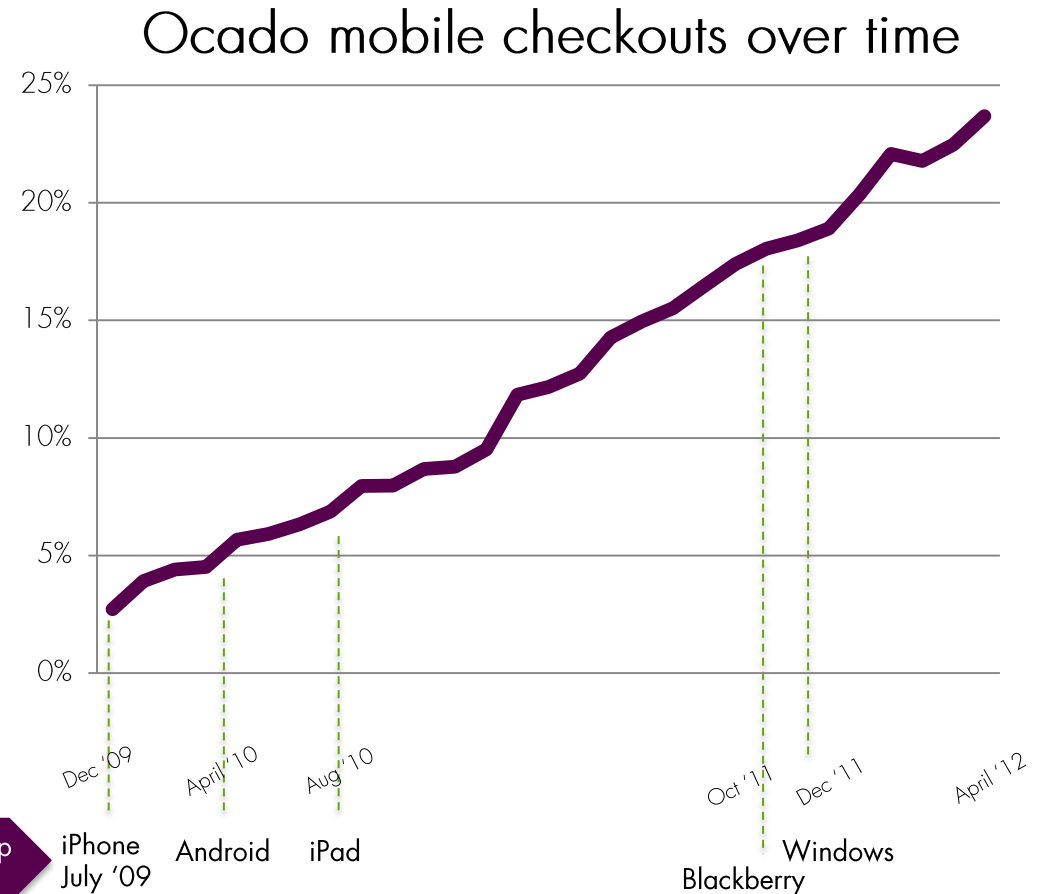
Sponsorship



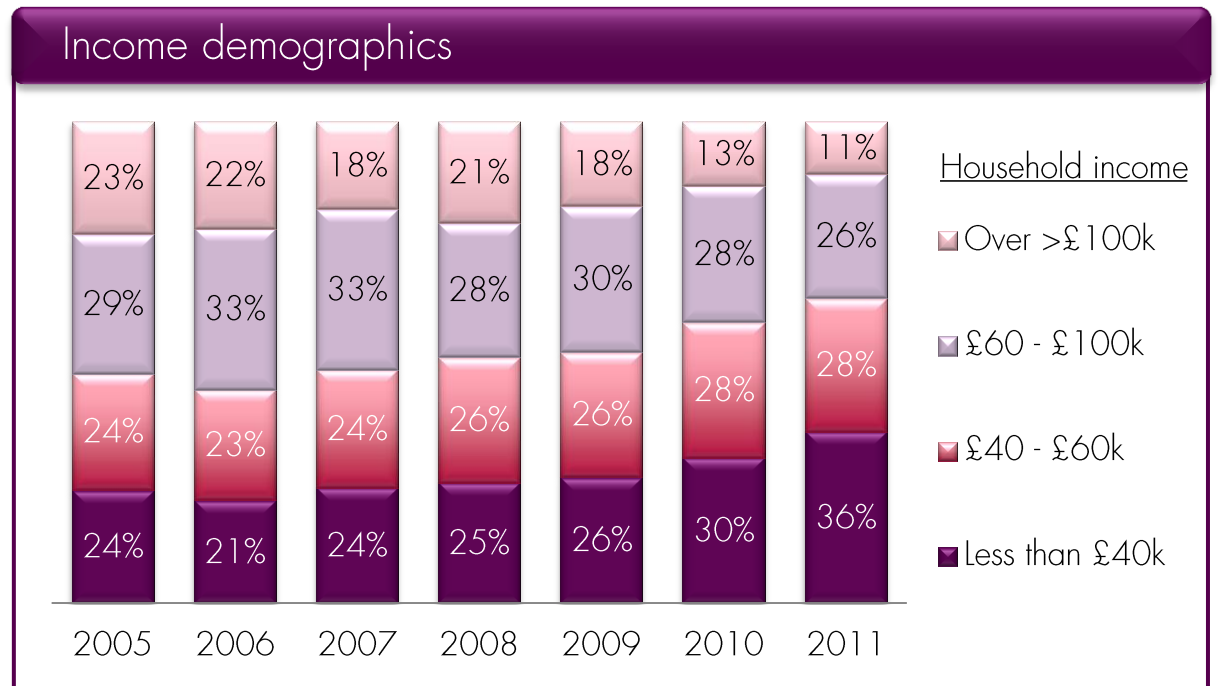
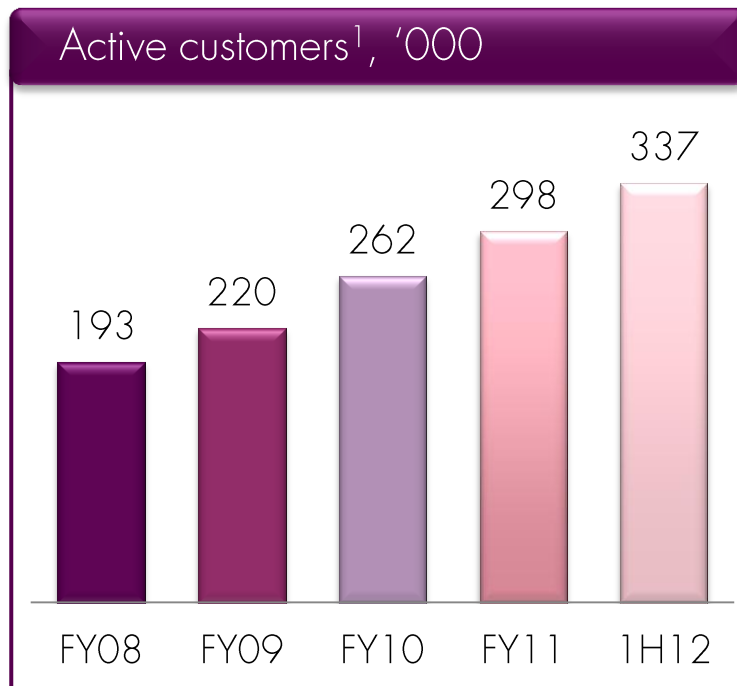
Seamless shopping journey across multiple platforms



Ocado App launches



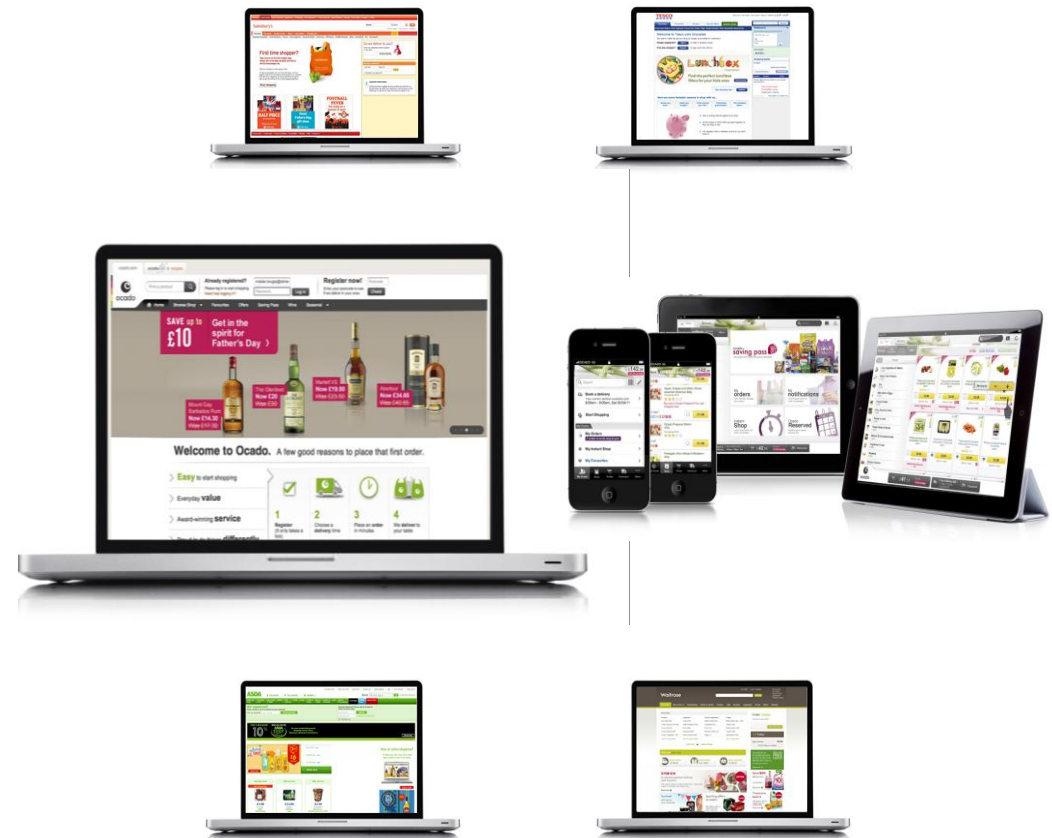
Customer adoption



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

Channel Shift

- Grocery shoppers continue to migrate from stores to online
- As customers leave physical stores, shops become less efficient
- Ocado attracts new customers from stores and those who have already migrated online
- Growth driven by customer offer and investment in online services



Summary

Increasing
capacity,
efficiency and
resilience

- CFC1 capacity continues to expand
- Operational efficiency improving in CFC and distribution
- CFC2 remains on budget and expected to open Q1 2013

Improving our
offer to
customers

- Grocery range now at record levels
- Working hard at improving pricing position
- Continuing to improve the customer experience
- Driving awareness and demand

Market

- Channel shift to online grocery shopping continues
- Ocado strongly positioned to gain new customers

Q&A

