



Ocado Group plc

# **2019 Half Year Results**

9<sup>th</sup> July 2019

# The Chairman's Overview

Lord Rose



# Forward-looking statements

## DISCLAIMER

This presentation contains oral and written statements that are or may be “forward-looking statements” with respect to certain of Ocado’s plans and its current goals and expectations relating to its future financial condition, performance and results. These forward-looking statements are usually identified by words such as ‘anticipate’, ‘target’, ‘expect’, ‘estimate’, ‘intend’, ‘plan’, ‘goal’, ‘believe’ or other words of similar meaning. By their nature, all forward-looking statements involve risk and uncertainty because they are based on current expectations and assumptions but relate to future events and circumstances which may be beyond Ocado’s control. There are important factors that could cause Ocado’s actual financial condition, performance and results to differ materially from those expressed or implied by these forward-looking statements, including, among other things, UK domestic and global political, social, economic and business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, the possible effects of inflation or deflation, variations in commodity prices and other costs, the ability of Ocado to manage supply chain sources and its offering to customers, the effect of any acquisitions by Ocado, combinations within relevant industries and the impact of changes to tax and other legislation in the jurisdictions in which Ocado and its affiliates operate. Further details of certain risks and uncertainties are set out in our Annual Report for 2018 which can be found at [www.ocadogroup.com](http://www.ocadogroup.com). Ocado expressly disclaims any undertaking or obligation to update the forward-looking statements made in this presentation or any other forward-looking statements we may make except as required by law. Persons receiving this presentation should not place undue reliance on forward-looking statements which are current only as of the date on which such statements are made.

# Introduction

Tim Steiner  
CEO





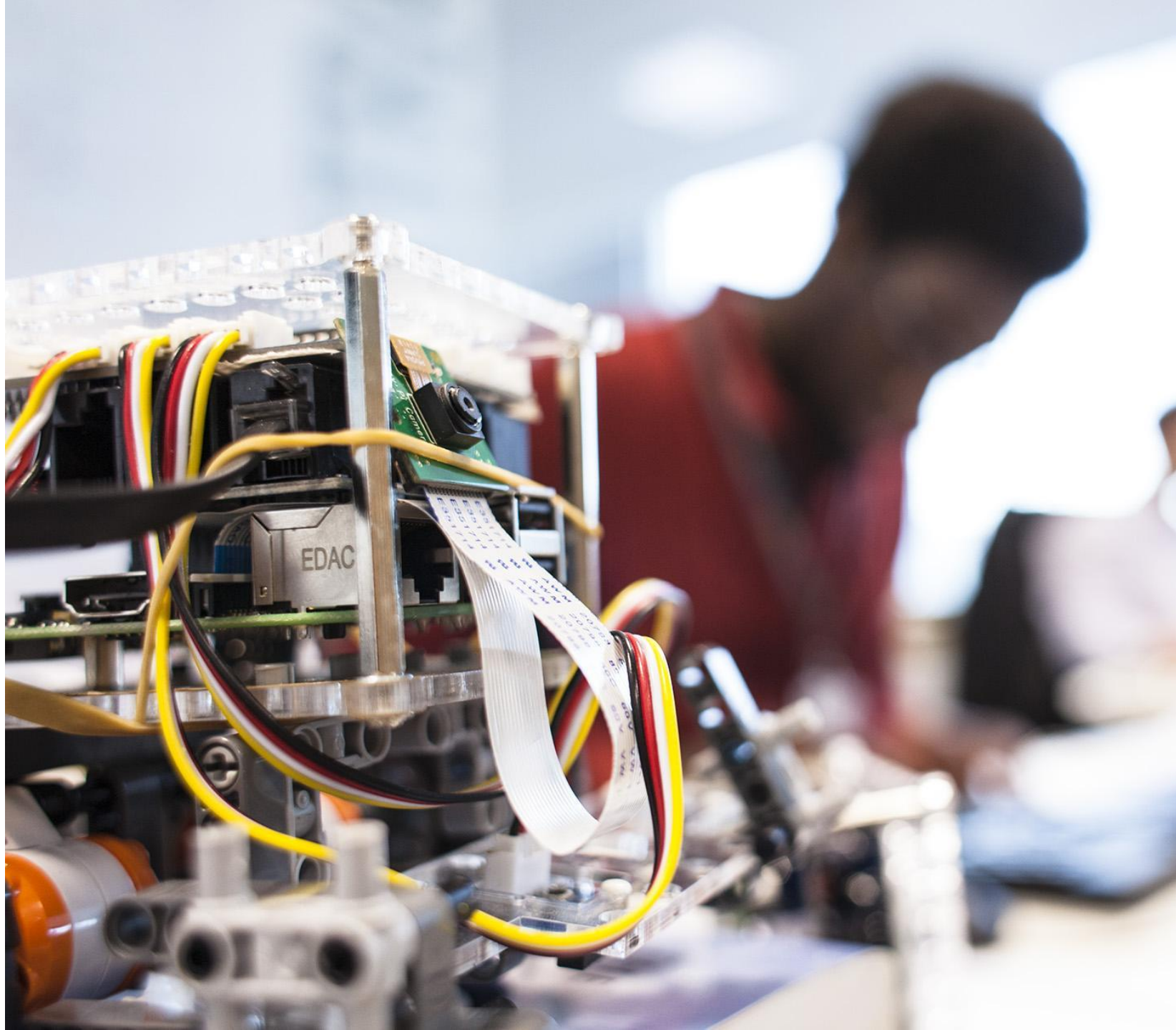
*“2019 has seen a shift in the centre of gravity at Ocado Group. We have pivoted from being a pure play online grocer in the UK with a separate Solutions business to being a technology-led global software and robotics platform business providing a unique end-to-end solution for online grocery. Ocado.com is now one of eight global partners, all among the most innovative and forward-looking grocers in the world, whose online business will be enabled by the Ocado Smart Platform”.*

*“We have never been in a better position to create value.”*

**Tim Steiner, CEO**

# Financial Review

Duncan Tatton-Brown  
CFO



# Financial Summary

	£m	1H 2019	1H 2018 <sup>3</sup>	1H 2019 adjusted <sup>1</sup>	1H 2018 adjusted <sup>1</sup>	Var (%)
<b>Revenue</b>	Retail	811.5	736.6	803.2	732.5	9.7
	Solutions	70.8	58.7	70.8	58.7	20.6
	<b>Total</b>	882.3	795.3	874.0	791.2	10.5
<b>EBITDA<sup>2</sup></b>	Retail	43.4	45.5	44.1	46.1	(4.3)
	Solutions	(16.2)	(6.6)	(16.2)	(6.6)	
	Other	(9.1)	(4.6)	(9.2)	(4.7)	
	<b>Total</b>	18.1	34.3	18.7	34.8	(46.3)
	Net Interest	(6.7)	(6.2)	(6.7)	(6.2)	8.1
	Depreciation, amortisation, impairment and exceptional items	(154.2)	(41.7)	(55.0)	(41.5)	32.5
	<b>Loss before tax</b>	(142.8)	(13.6)	(43.0)	(12.9)	233.3

1. Excluding exceptional and adjusted to remove Marie Claire Beauty. 2018 restated for impact of IFRS 15

2. EBITDA excludes exceptional items

3. Restated for impact of IFRS 15

# EBITDA Summary

	Retail <sup>1</sup>			Solutions <sup>1</sup>		
	1H 2019	1H 2018	Var %	1H 2019	1H 2018	Var %
Revenue	803.2	732.5	9.7	70.8	58.7	20.6
Operating contribution	73.5	70.5	4.3	12.5	11.4	9.6
Administrative cost	(29.3)	(24.3)	20.6	(28.7)	(18.1)	58.6
<b>EBITDA<sup>2</sup></b>	<b>44.1</b>	<b>46.1</b>	<b>(4.3)</b>	<b>(16.2)</b>	<b>(6.6)</b>	<b>145.5</b>

1. Excluding exceptional and adjusted to remove Marie Claire Beauty. 2018 restated for impact of IFRS 15

2. EBITDA excludes exceptional items



# Cash fees show progress building Solutions

	HY 2019	HY 2018 <sup>2</sup>	Var %
Revenue	70.8	58.7	20.6
Fees invoiced <sup>1</sup>	122.7	90.1	36.2

- Strong growth in Revenue from Morrisons
- Fees invoiced from international partners almost doubled
- Immaterial revenue recognised as a result of IFRS 15
- Revenue growth in balance of year to be impacted by Morrisons' Erith holiday

1. Exclusive of VAT  
2. Restated for impact of IFRS 15

# Impact of Andover fire

- Resilient trading
  - 2% revenue impact in half; 3% impact since fire
  - flattening demand across the week
  - Erith capacity now 100% for Ocado
- Anticipate all losses to be covered
  - assets replaced
    - building
    - stock
  - business disruption fully indemnified
    - estimated lost sales
    - estimated cost inefficiencies
    - lost fees relating to Morrisons' Erith holiday
- Recognition of insurance proceeds:
  - building assets: as costs incurred to reconstruct the building
  - business disruption: in exceptional income
    - recognised once understanding with insurer is formalised in contract

# FY19 consensus: resetting baseline due to one-offs

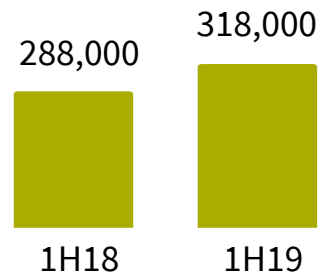
	Group EBITDA (£m)
Current FY19 Consensus <sup>1</sup>	45
Impact of:	
Andover	(7)
Erith holiday	(8)
Share incentives	(10)
<b>New FY19 Consensus</b>	<b>20</b>

1. Consensus based on published estimates as of 4th June 2019. It represents a summary of the forecasts made by sell side investment analysts who provide their own research analyses and earnings estimates in respect of Ocado. The forecasts are prepared by the sell side analysts and provided to Ocado Group. The consensus data is presented by Ocado Group for information only. Ocado Group does not endorse or express any view on any forecasts or information provided. Ocado Group does not publish guidance or forecasts for these measures of financial performance.

# Ocado Retail metrics improving or stable

## Order Volumes

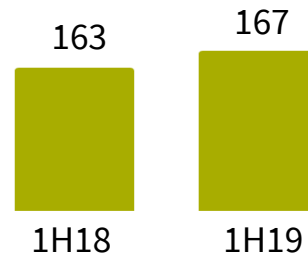
Orders per week



- Andover impact mitigated by smoothing orders and use of Morrisons' Erith capacity
- CFC4 capacity up over 50% in the half

## Mature CFC Efficiency (UPH)

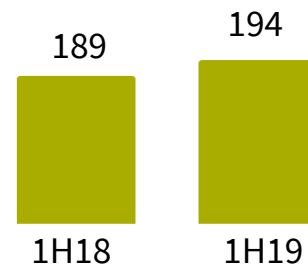
Units per hour of labour



- Mature UPH increases driven mainly by Dordon

## Delivery Efficiency (DPW)

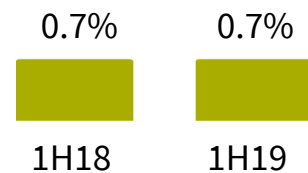
Drops per Van per week



- Strong underlying efficiency gains

## Wastage

% of Sales



- Maintained industry leading levels
- Waste to landfill of 0.02%

# Ocado Retail: underlying progress

	1H 2019 <sup>1</sup> (% Retail Revenue)	1H 2018 <sup>1</sup> (% Retail Revenue)	Var (%)
Gross margin	29.0	28.5	0.5
Supplier income	4.0	3.6	0.4
Trunking and delivery costs	(12.1)	(12.3)	0.2
CFC costs	(10.1)	(8.9)	(1.2)
Other operating costs	(0.7)	(0.7)	-
Marketing costs	(1.1)	(0.8)	(0.3)
<b>Operating contribution</b>	9.1	9.6	(0.5)
Admin costs	(3.6)	(3.3)	(0.3)
<b>EBITDA</b>	5.5	6.3	(0.8)

1. Excluding exceptionals and adjusted to remove Marie Claire Beauty. 2018 restated for impact of IFRS 15



# Capital expenditure<sup>1</sup>

	1H 2019 (£m)	1H 2018 (£m)
Mature CFCs	2	2
New CFCs	26	53
International CFCs	22	1
Delivery	6	4
Technology development	32	26
Fulfilment development	14	9
Other	11	7
<b>Total</b>	<b>112</b>	<b>102</b>

**Full year outlook = £350m**

1. Capex excludes assets leased from MHE JV Co under finance lease arrangements

# Cash Position

	1H 2019 (£m)
Cash and cash equivalents FY18	411
Net cash flow	(51)
<b>Cash and cash equivalents</b>	360
Existing undrawn RCF	100
<b>Total headroom</b>	460

£1bn in total headroom after the M&S JV transaction closes in August

# Outlook for 2019

- Retail revenue growth 10-15% in balance of year
- Further growth in underlying EBITDA; Ocado Retail to be charged fees for the use of OSP
- Solutions revenue growth below Retail
  - Morrisons' Erith holiday from Erith
  - IFRS 15 delays recognition of international fees
- £15m impact on Group EBITDA from Andover-related business disruption
- £10m impact from share schemes
- Capex forecast £350m

# An unprecedented platform for growth

Tim Steiner  
CEO



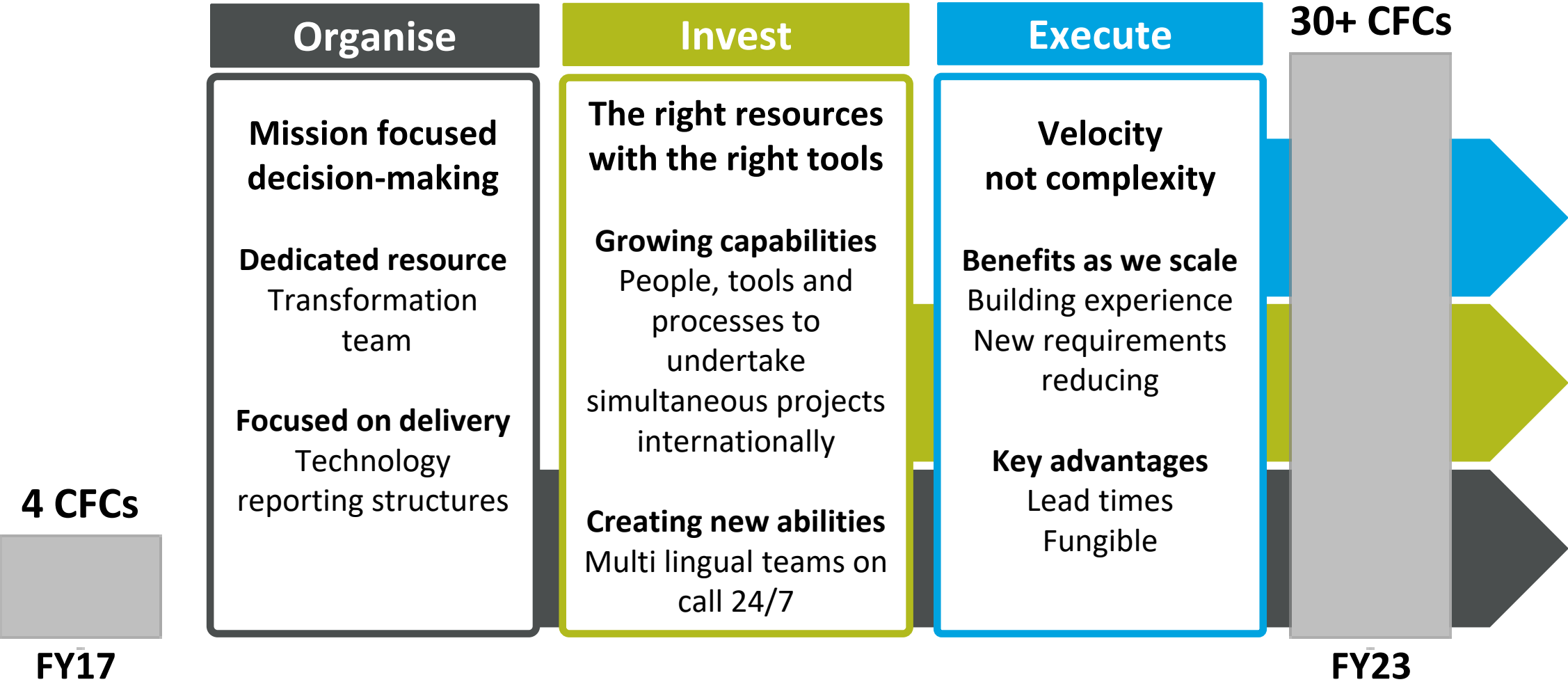
# Ocado Group: an unprecedented platform for growth



- 1 Scaling the business to deliver outstanding execution for partners
- 2 JV with M&S means an even better offer for Ocado.com customers
- 3 As the OSP club grows, network effects are magnified
- 4 Innovating so that our partners can grow faster: immediacy
- 5 Innovating so that our partners can grow faster: new verticals

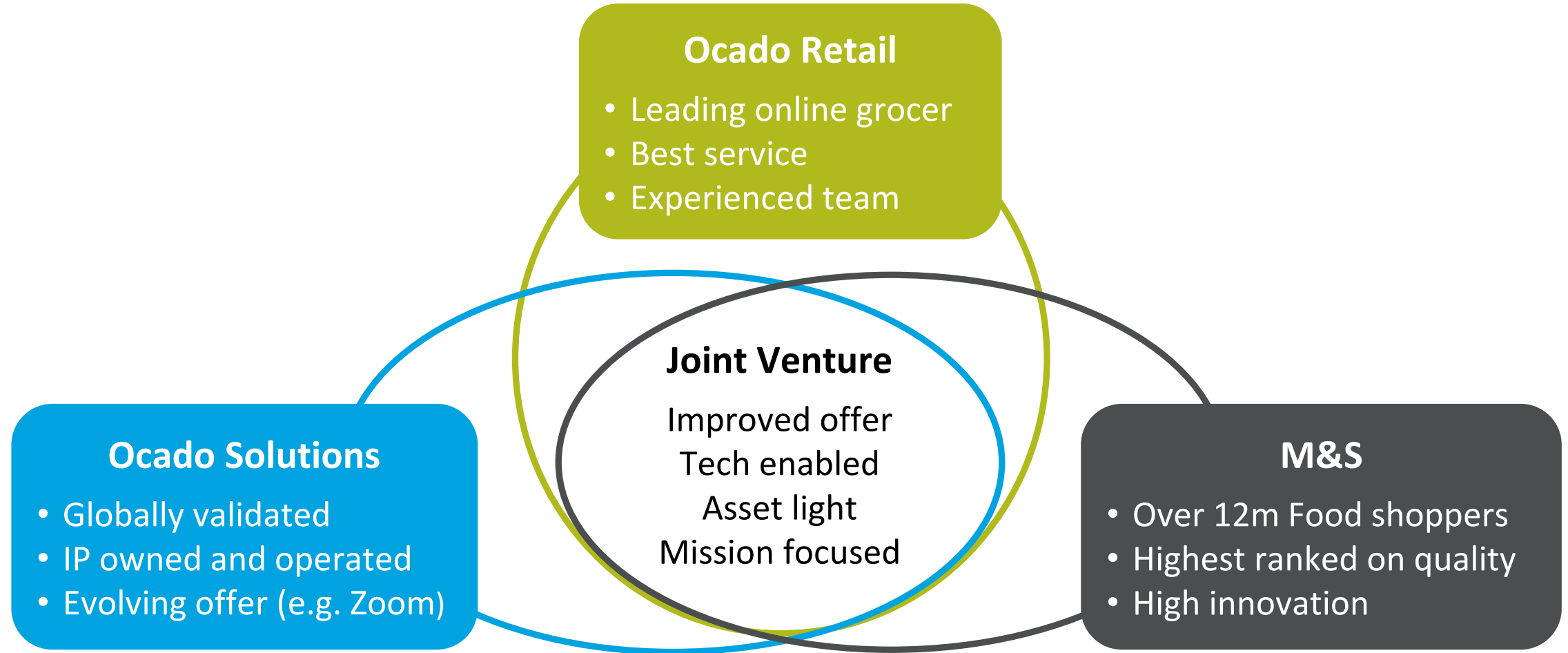


# 1 Scaling the business to deliver outstanding execution for partners



We are now organised to manage greater velocity; outstanding execution is our priority

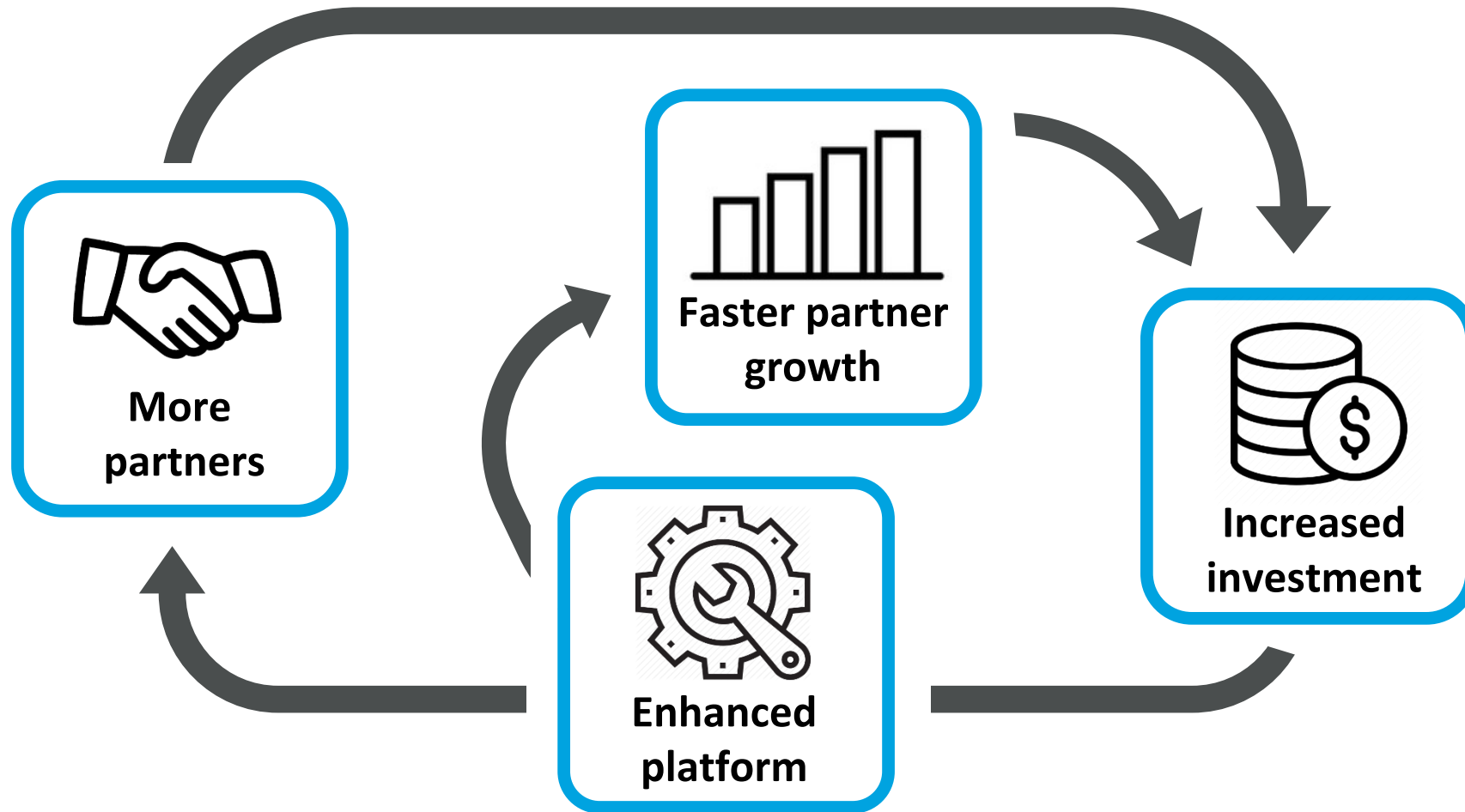
## Ocado.com: an even better offer for customers with M&S



CFC5 to go live in 2021, with 7 more CFCs committed over next 12 years

3

## As the OSP 'club' grows, network effects are magnified



Virtuous cycle as scale increases rationale and resources to invest for further innovation

4

# Innovating so that our partners can grow faster: immediacy

## Best for the customer

the same best service

**10k+** SKU range

**95%** on time

**0.2%** substitutions

delivering more than just a top up

**2/3** of baskets 'small shop'<sup>1</sup>

e.g. dinner, entertaining,  
baby emergency



## Happy customers

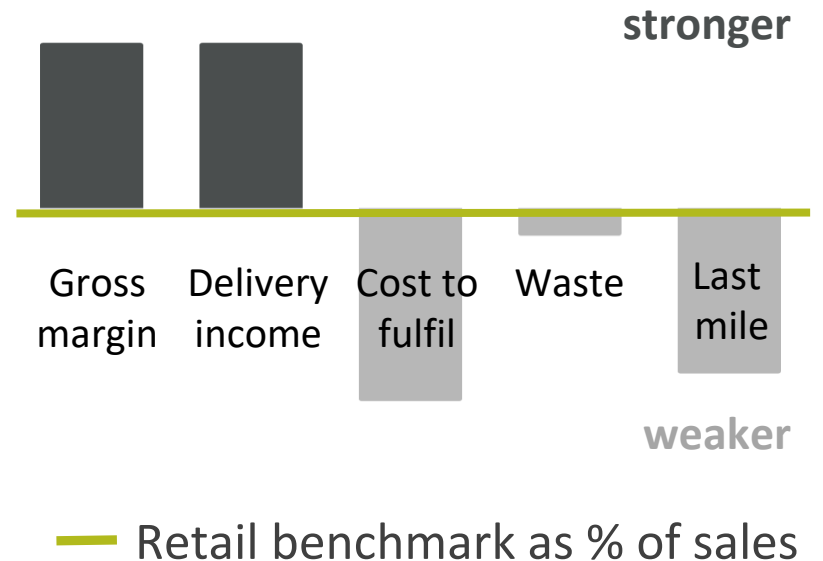
'It is almost the fourth  
emergency service!'

'Just tried @OcadoZoom. Holy  
Batman that was fast...and  
accurate!...Thoroughly impressed'

## Promising outlook

## Sustainable economics at scale

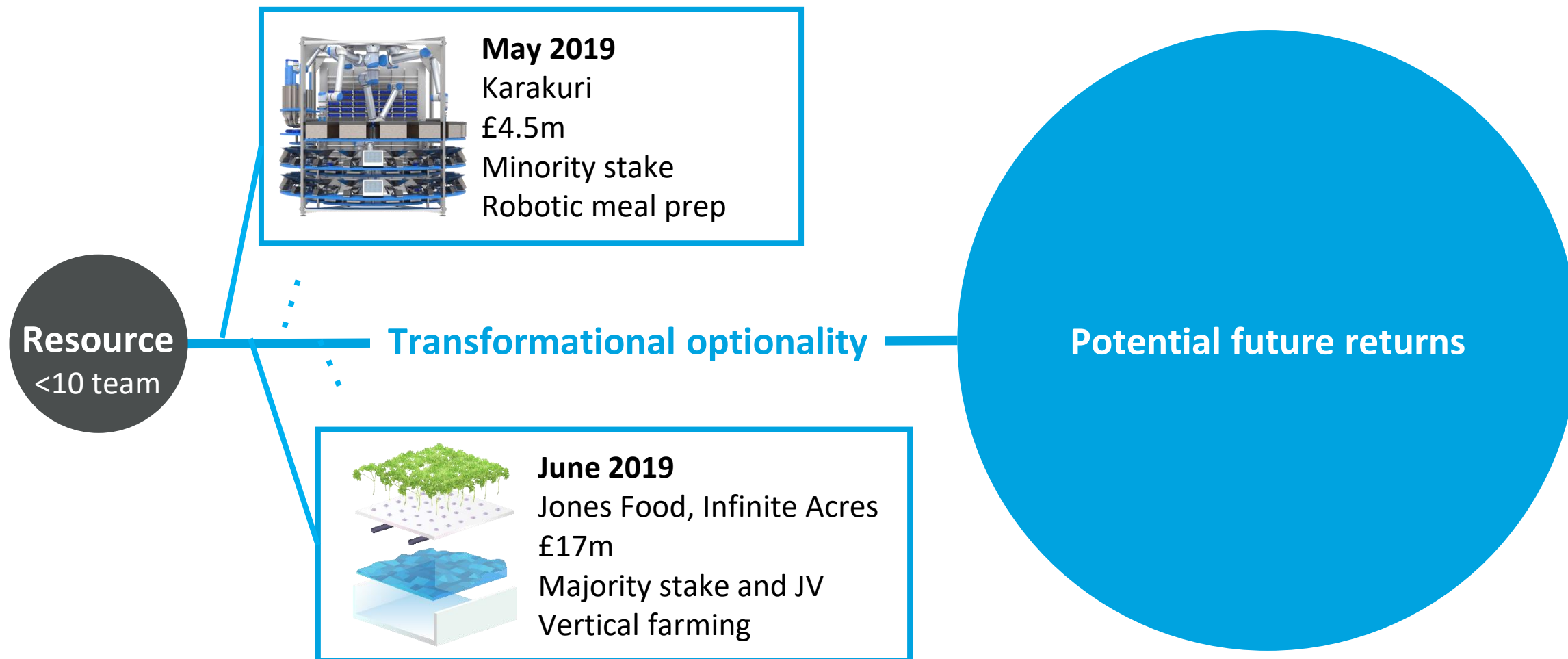
Operating margin approaching Retail



Enabling partners to meet customer needs and shape future shopping habits, profitably

5

## Innovating so that our partners can grow faster: new verticals



Leveraging our technology expertise in other verticals to create long term future value

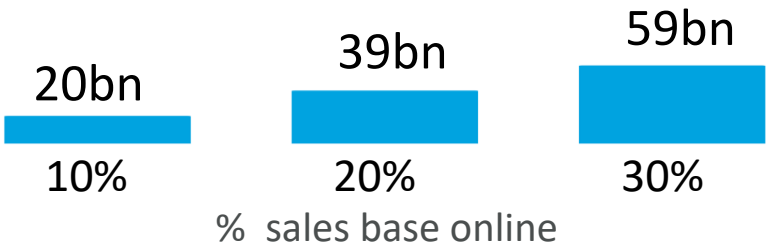


# Our Opportunity: a long runway for growth

Current partnerships provide a strong base

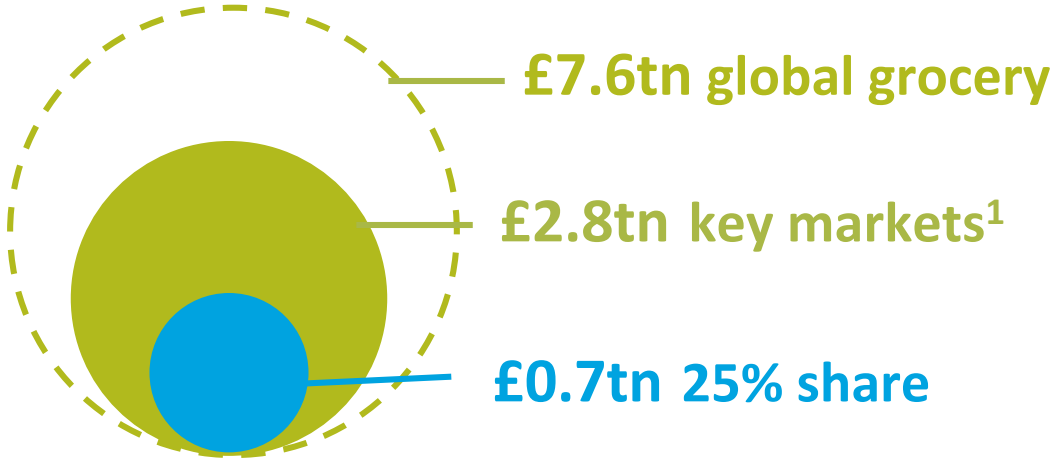


Set to lead channel shift in their local markets

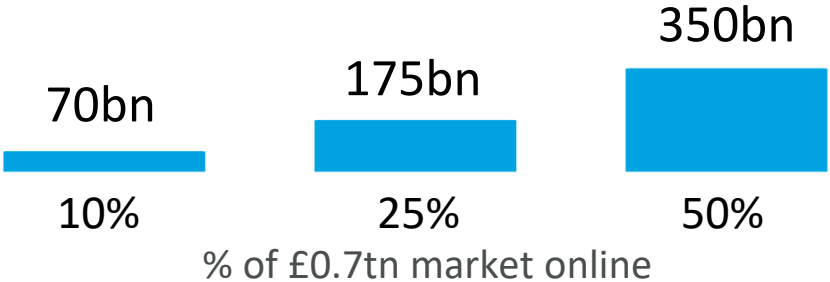


£1bn - £3bn fee opportunity

But the global opportunity in grocery is huge



The shift online is growing the addressable market



£3.5bn - £17.5bn fee opportunity

Huge opportunity even before innovation towards lights-off future

Source: Company information, Planet Retail Note: M&S and Ocado JV sales 100% online (1) All countries with a GDP per capita of above \$25k and a population over 5m (excluding Saudi Arabia)  
Note: M&S and Ocado annual sales assumed 100% sales online  
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# Conclusion

- The centre of gravity at Ocado Group has shifted over the last six months
- By partnering with M&S, Ocado.com will offer UK customers an even better experience
- We can also focus the Group on creating sustainable value for our Solutions partners
- Outstanding execution remains our priority...
- ...while innovating to ensure that our partners remain ahead of the game and our stakeholders can benefit from future value creation

## Q&A

