

1H21 Results Presentation

6th July 2021



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The Chairman's Overview

Richard Haythornthwaite





A conversation about the state of the online grocery market

Tim Steiner, CEO

Stephen Daintith, CFO

Financial Review

CFO, Stephen Daintith



First impression and priorities

Strong culture drives opportunity

Startup culture

passion - resilience - flat hierarchy -
creative problem solving - focus on
efficiency

Growing opportunity set

grocery and beyond, continuous
innovation, more opportunities
than ever before (organic and inorganic)

Priorities to support sustained strong growth

OSP economics

Capital allocation

Balance sheet

**Evolution of Group Operations
functions to support growth**

Empowering the business to make the most of a large and growing opportunity set

Financial Summary

£ million	H1 2021	H1 2020	Change
Revenue¹	1,319.9	1,086.8	21.4%
EBITDA	61.0	19.8	+41.2m
Loss before tax	(23.6)	(40.6)	(41.9%)

- **Impressive revenue growth (+21.4%) driven by Retail**
- **Strong EBITDA performance** as industry leading margin performance in Retail and efficiency improvements in UK Solutions and Logistics more than offset continued investment (total cash investment of £129m) to support platform development
- **Reduction in loss before tax**, as increased amortisation costs and non-cash finance charges, offset by higher exceptional income, primarily insurance income for Andover CFC

1. Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax. The recharge of costs and associated fees to our UK Solutions clients and International Solutions clients are also included in revenue with the exception of recharges to Ocado Retail which are eliminated on consolidation.

Ocado Retail: strong revenue and margin performance drive material EBITDA growth

Orders driving revenue growth,
with basket size and ASP broadly flat

£ million	H1 2021	H1 2020	Change	Changes			
				Average	Q1	Q2	H1
Revenue	1,224.1	1,021.6	19.8%	OPW (000s)	+3%	+40%	+20%
EBITDA¹	104.1	45.7	+58.4m	Basket size (£)	+32%	-23%	-
				Eaches per basket	+23%	-22%	-

- **Revenue growth reflects return to strong active customer growth, driving orders growth, with basket sizes flat on average.** Demand for online grocery remains strong.
- **Strong progress on Retail KPIs:**
 - Active customers **+22% to 777k** vs. 639k in 1H20
 - Orders per week (OPW) **+20% to 356k** vs. 298k in 1H20²
- **Gross margin performance** reflects successful investment in buying team capacity
- **Cost growth below revenue growth** due to efficiency gains fulfilment and delivery as well as lower fuel costs, and non repeat of certain Covid-19 related costs

1. EBITDA* does not include the impact of exceptional items

2. Orders per week (OPW) calculated on actual basket sizes. Not normalised to pre-Covid basket size

Ocado retail: a closer look at operating performance

% revenue	1H21	1H20	change (bps)	
Gross margin (incl. media)	36.0%	32.0%	401	→ Commercial sourcing benefits see retention of much of benefit from end of Waitrose sourcing fee
Trunking and delivery costs	(10.0)%	(11.1)%	108	→ Drops per van per week (DPV) +4% to 183 , despite flat basket size
CFC costs	(7.9)%	(7.9)%	9	→ Units per Hour (UPH) up to 172 , on improved efficiencies and economies of scale, offset by increased capital recharge
Other operating costs	(0.6)%	(0.7)%	2	
Marketing costs	(1.2)%	(1.1)%	-7	→ Launch of first ever multi media brand campaign lockdown restrictions eased in 2Q
Fees (OSP fee only)	(3.6)%	(3.3)%	-23	→ Capacity ramp of Erith CFC and opening of Bristol CFC drives additional fees
Operating contribution	13.3%	7.8%	550	
Admin costs	(4.2)%	(3.3)%	-89	→ Accounting charge related to new, long term incentive plan, and investments made to support future growth
EBITDA	8.5%	4.5%	403	

UK Solutions & Logistics: progress reflects client capacity growth

£ million	H1 2021	H1 2020	Change
Fee revenue	73.2	56.0	30.7%
Cost recharges	284.1	260.0	9.3%
Revenue	357.3	316.0	13.1%
EBITDA	30.1	23.7	+6.4m

- **Strong fee growth as peak OPW to 510,00 in April**, with ramp of Erith and the opening of the Bristol CFC. Total potential CFC capacity now at around 600k OPW.
- **Cost recharges (+9.3%) lower than order growth (+18.2%) as a result of ongoing efficiency gains** made in distribution, which we have shared with UK clients. Productivity of new Bristol CFC ahead of plan.
- **Reduction in engineering costs (included in distribution costs)** down almost 50% on a cost per each basis at Erith, progressing towards target and ahead of plan

1. Revenue includes £284.1m of cost recharges, including cost recharges to Ocado Retail of £229.0 million which eliminate on consolidation
 2. Segment has been re-presented for H1 2020

International Solutions: starting to recognise material revenue

£ million	H1 2021	H1 2020	Change
Fees invoiced	50.2	73.7	(31.9%)
Revenue	26.6	1.6	n.m
EBITDA	(56.6)	(39.7)	(16.9)m

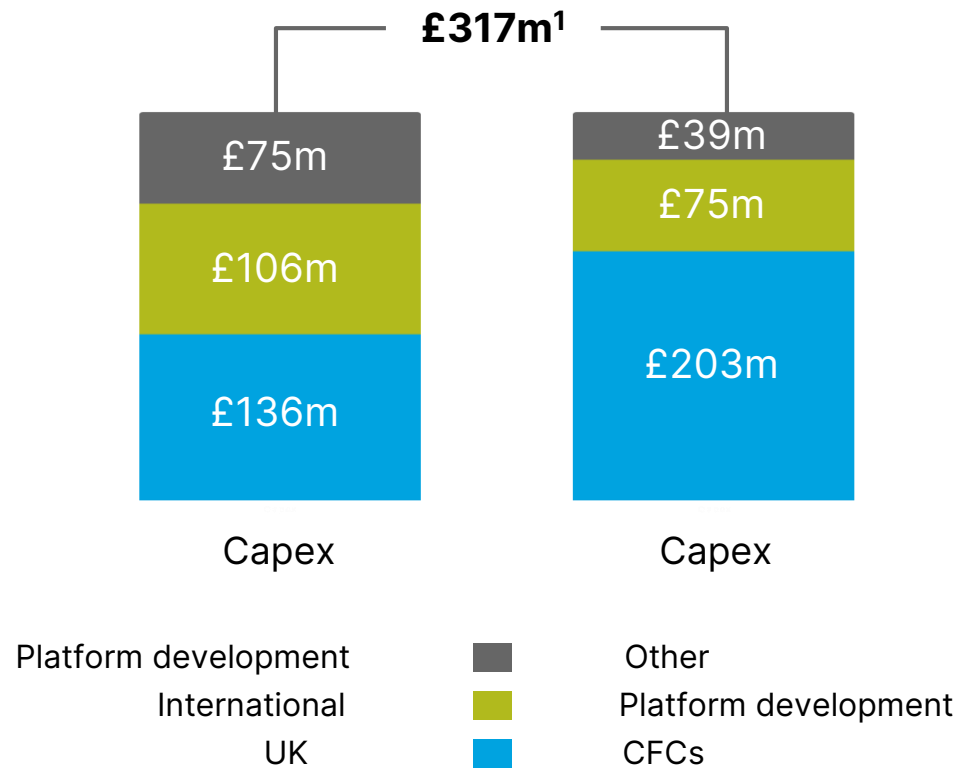
- **Revenue includes £19m of OSP fee revenue recognised from partners** with CFCs ramping in France and Canada, and the go-live of the first two CFCs in the US in the half. Sites opened on time and performing to expectations
- **Acceleration of OSP rollout** drives cost increase (+£38m) through a higher allocation of investments made in technology talent to develop the platform, and personnel and cloud costs to support clients in CFC go-live and early ramp
- **Strong pipeline of CFC commitments from partners** reflected in fees invoiced for existing and future CFCs and ISF commitments. 15 CFCs currently in build.

1. Revenue includes £3.9m contribution from Kindred Systems, and £3.3 million of equipment sales to retail partners recognised as revenue under IFRS 15. The cost of this equipment is recognised in Cost of sales, with the resulting impact on EBITDA of nil
2. Segment has been re-presented for H1 2020

Scaling up and investing to support our growth ambitions

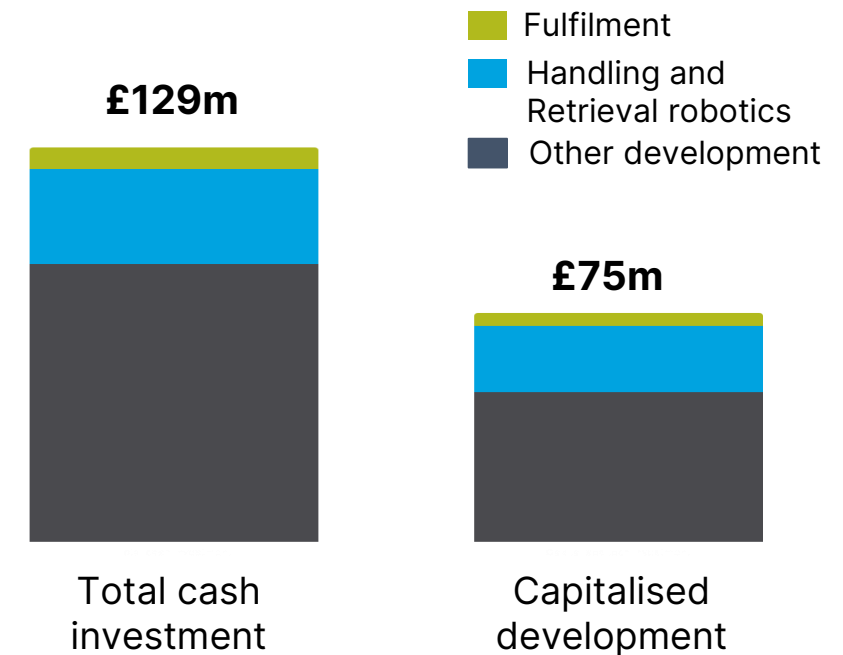
Step up in capex as OSP roll out picks up globally

3 CFCs launched in 1H21, with **18 sites in build globally**



Investing to seize the enhanced opportunity in online grocery

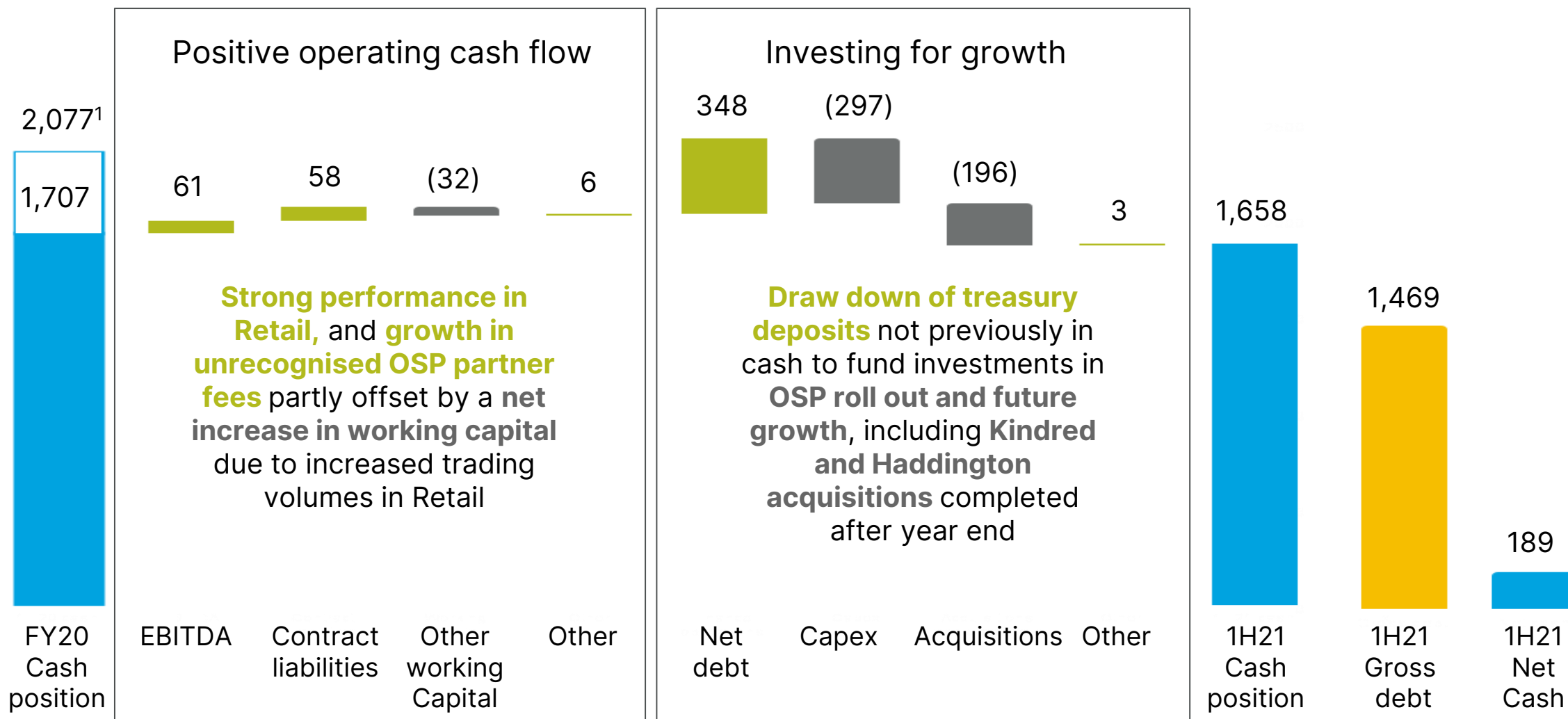
Significant investments to improve OSP for partners



30% of capitalised spend in areas expected to drive even better economics for Ocado and partners

Strong cash position supports our significant growth plans

£1.7bn: enough liquidity to meet existing commitments and deliver future growth for the short to medium term



Note: (1) including £370m of treasury deposits, not recognised in cash

Outlook for FY21: update to FY20 guidance

Update to FY20 guidance

- **Though uncertainties remain regarding the performance of Ocado Retail in H2 as COVID restrictions continue to ease, we are encouraged by performance in Q2** which shows a strong increase in customer transactions offsetting the normalisation of the value of the average basket.
- **Offsetting the strong Retail performance, we now expect £30m lower EBITDA contribution between the International Solutions, UK Solutions & Logistics and Other segments**
 - **£10m impact to International Solutions from Kindred Systems:** whilst we are making good progress integrating the business, and remain very excited by the long-term opportunity for Kindred's robotic picking solution, in the near term revenues have ramped up more slowly than originally forecast due to finalisation of new pipeline contracts a little later than originally planned
 - **£15m additional investment to support the growth of the business in the UK and internationally:** in Technology and Group operations functions, including a significant one time upgrade and transition to cloud based finance systems
 - **£5m deferred consideration for Kindred Systems and Haddington Dynamics** to be recognised in the Other segment, in accordance with IFRS 2. A £3.2m charge has been recognised in 1H21
- **Overall, taking into account the encouraging performance of Ocado Retail with these incremental investments and other impacts, we do not expect a material change to consensus Group EBITDA forecast**

Outlook for 2021: update to build on prior FY20 guidance

FY20 guidance

- **Revenue growth:**
 - Retail highly dependent on COVID restrictions. New capacity ramp up over the course of the year from 3 new UK CFCs
 - UK Solutions & Logistics double digit growth
 - International Solutions fees from OSP partners expected to increase to around £50m
- **International Solutions fees invoiced** around 30% growth
- **EBITDA:**
 - Covid-19 will continue to have a significant impact
 - **£30m additional costs** due to accelerated investment in technology and platform, including acquisitions of Haddington Dynamics and Kindred Systems
 - **Retail** dependent on COVID restrictions and impacted by additional capacity fees on new sites
 - **UK Solutions & Logistics:** additional capacity fees from new sites to return EBITDA to FY19 levels
 - **International Solutions:** expected to be lower, as investment more than offsets increase in revenue
- **Capex forecast around £700m**
 - Broadly 40% UK CFCs; 40% International CFCs; 20% Development and Other



Leadership

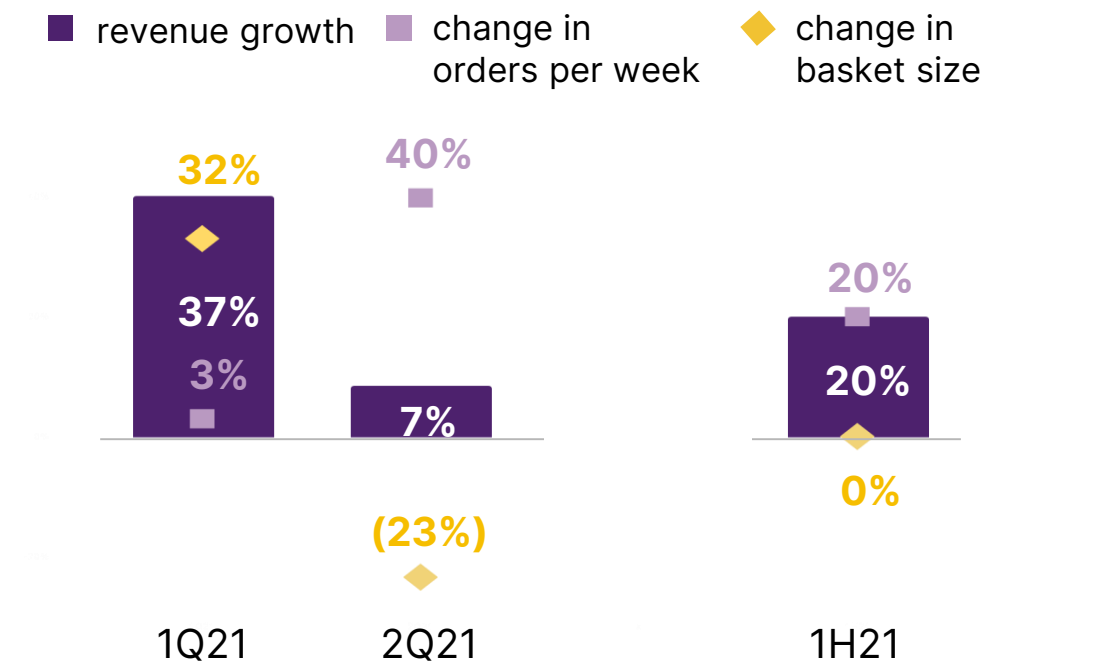
Melanie Smith, CEO, Ocado Retail

High demand for online remains: new customer wins driving growth

Strong new customer growth drives revenue growth as basket size starts to normalise

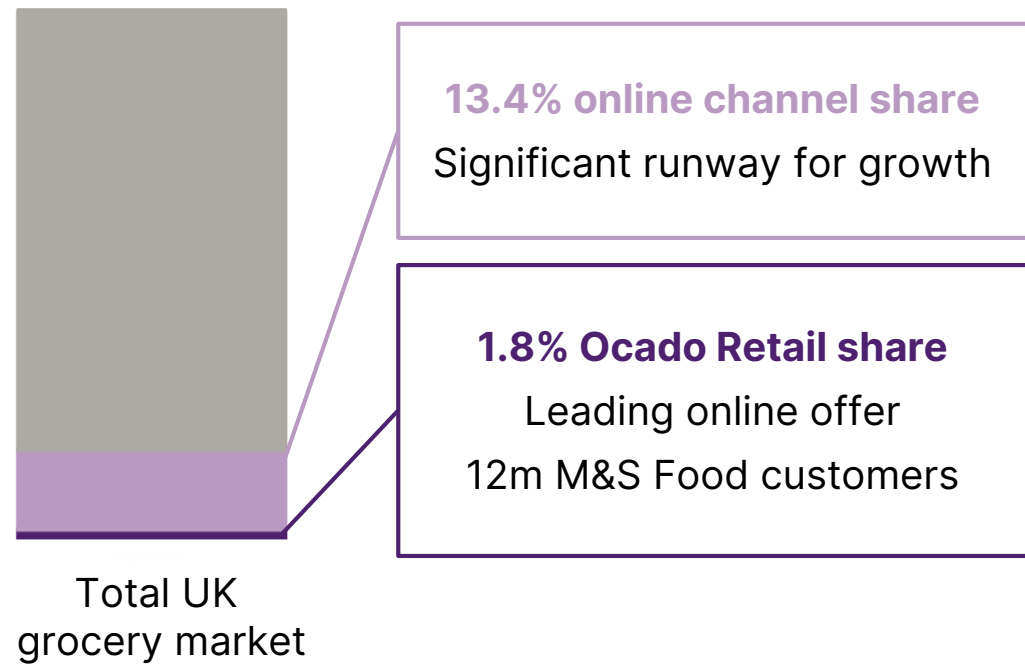
Customer growth reflects strong demand for online and Ocado.com

Quarterly shift from growth in basket size to orders growth driving 20%¹ revenue growth in 1H21



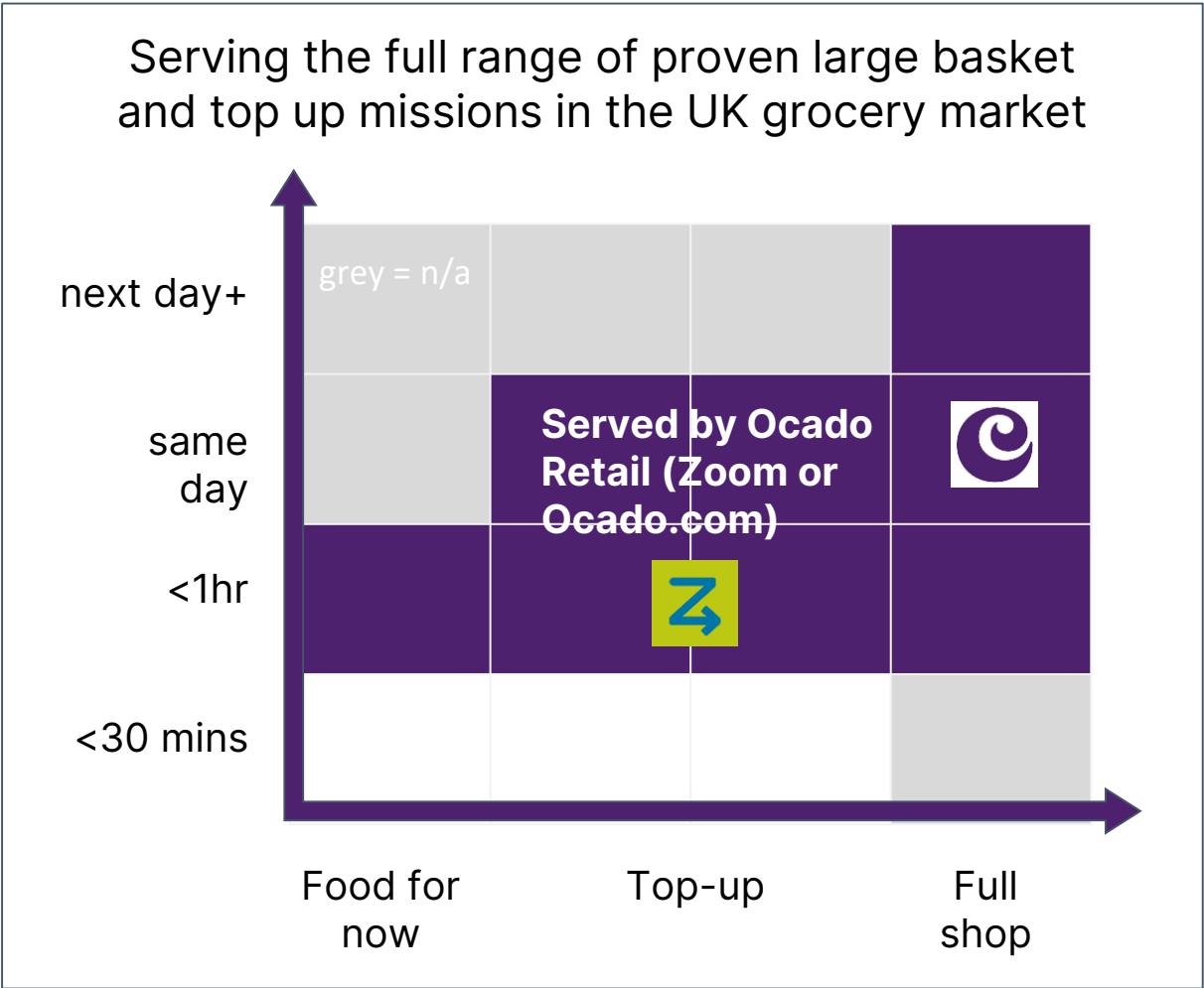
+140k active customers in 1H21 vs. 1H20, to 777k

Demand provides long runway for future growth



Seamless ecosystem serves the widest range of missions online

With OSP, Ocado Retail serves more customer missions than other models



With a leading customer offer

Building on longstanding leading customer proposition in 1H21

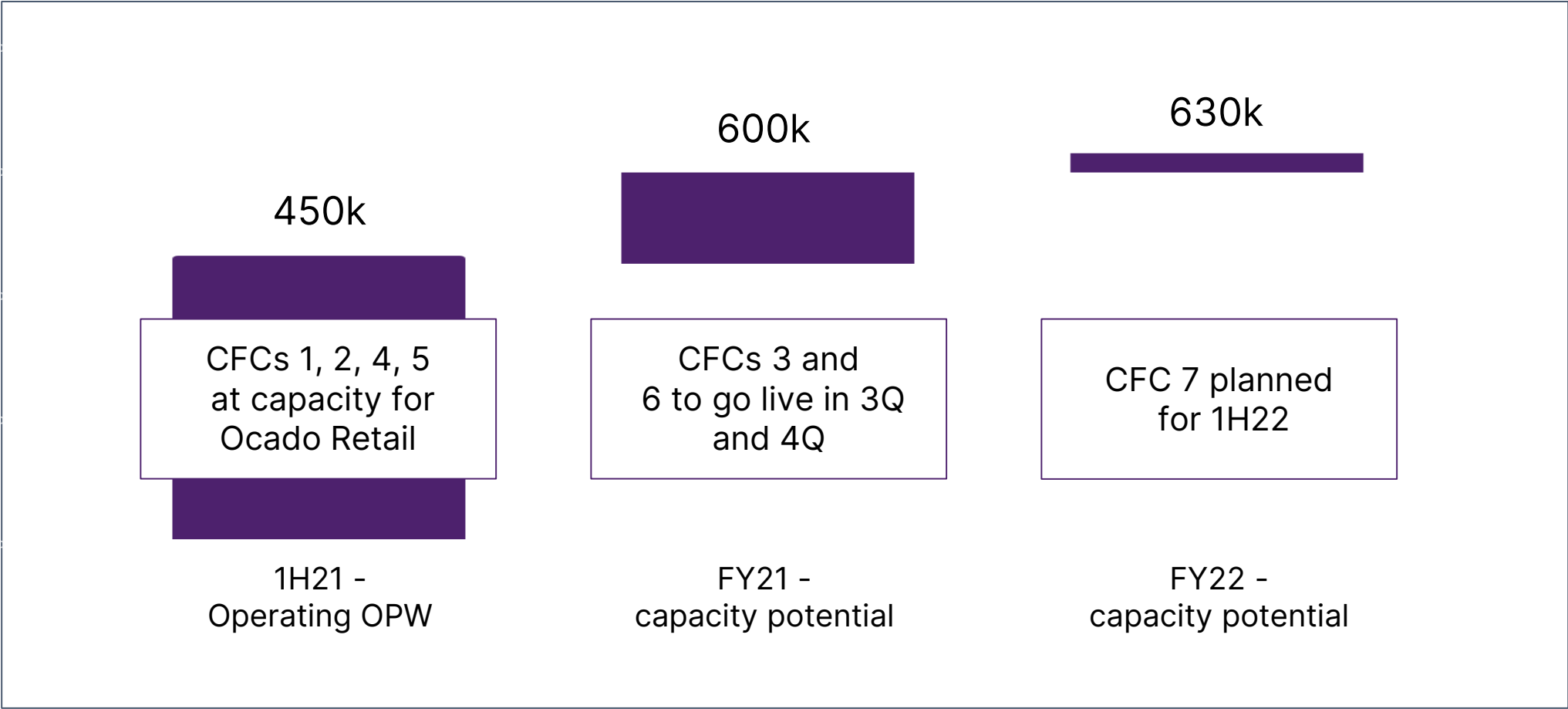
Unbeatable range
>40,000 SKUs, including >5,000 M&S

Fair value
continued to invest in retail prices

Effortless convenience
98% accuracy, 97% on time
>2x increase in 'Ocado Reserved', pre booked weekly slot in period
Expanding same day orders to more areas with capacity roll out

Ambitious capacity roll out planned to meet strong demand

Roll out of c50% more growth capacity FY20 through FY22; plans for more in FY23 and beyond



Actively seeking 12 new zoom sites over the next 3 years, with an additional London site secured

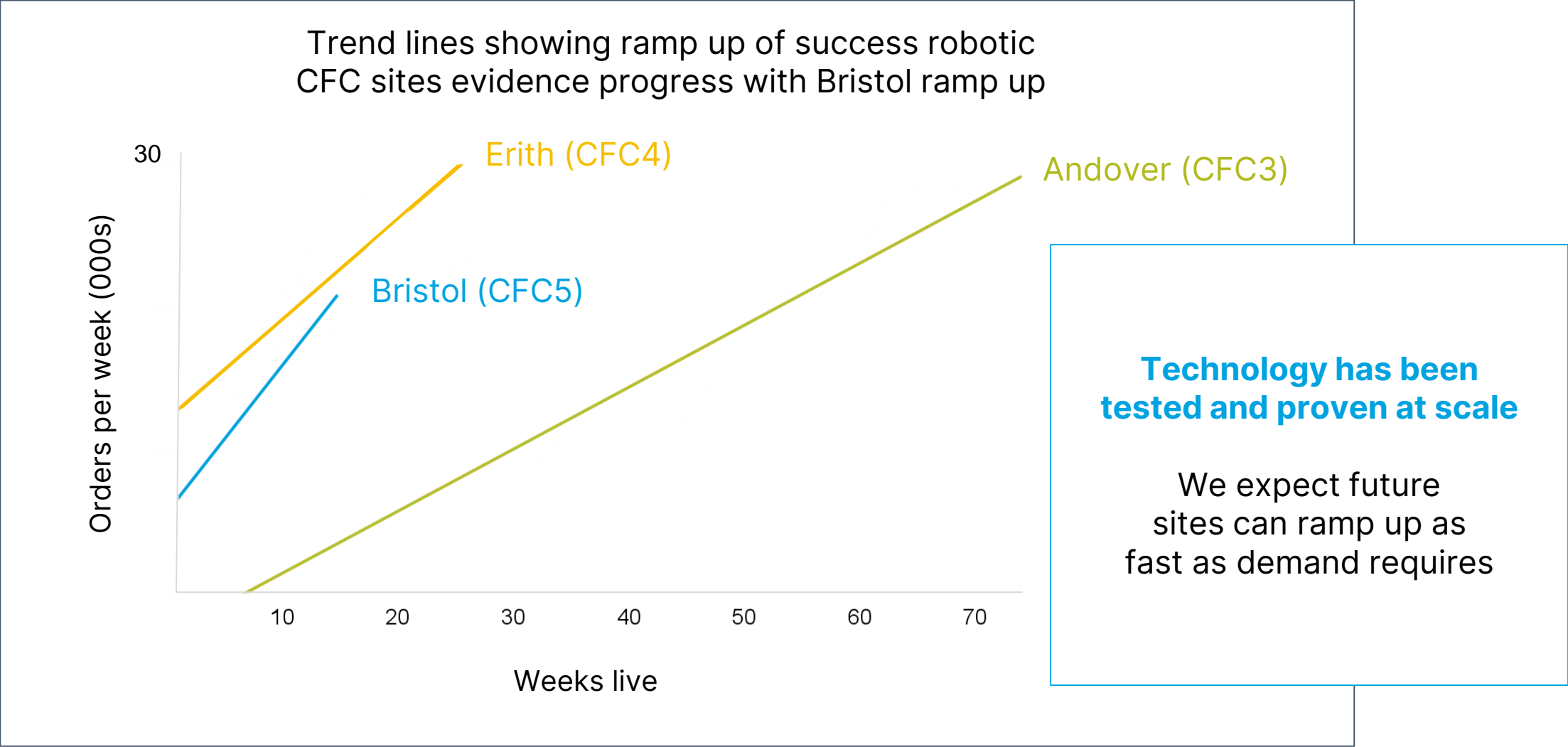


Speed

Mark Richardson, COO, Ocado Group

Setting new benchmarks for speed: Bristol CFC in the UK

From announcement to go-live in 15 months, and now setting new benchmarks for speed of ramp up



Deploying new learnings to improve speed to market internationally

Significantly improving speed to go-live through practical changes in our MHE installation process

Bi-directional grid build
a parallel process for faster execution

**New method of aligning
grid and peripheral build**
decouples the two tasks to go faster

to bring to market a **profitable, scaled, flexible ecosystem**, for online grocery, **faster**





Resilience

Brian McClory, Managing Director, Ocado Logistics

Andover: a testament to the resilience of the business

Feb 2019 Andover fire created an unprecedented challenge

A sudden loss of significant operating and growth capacity

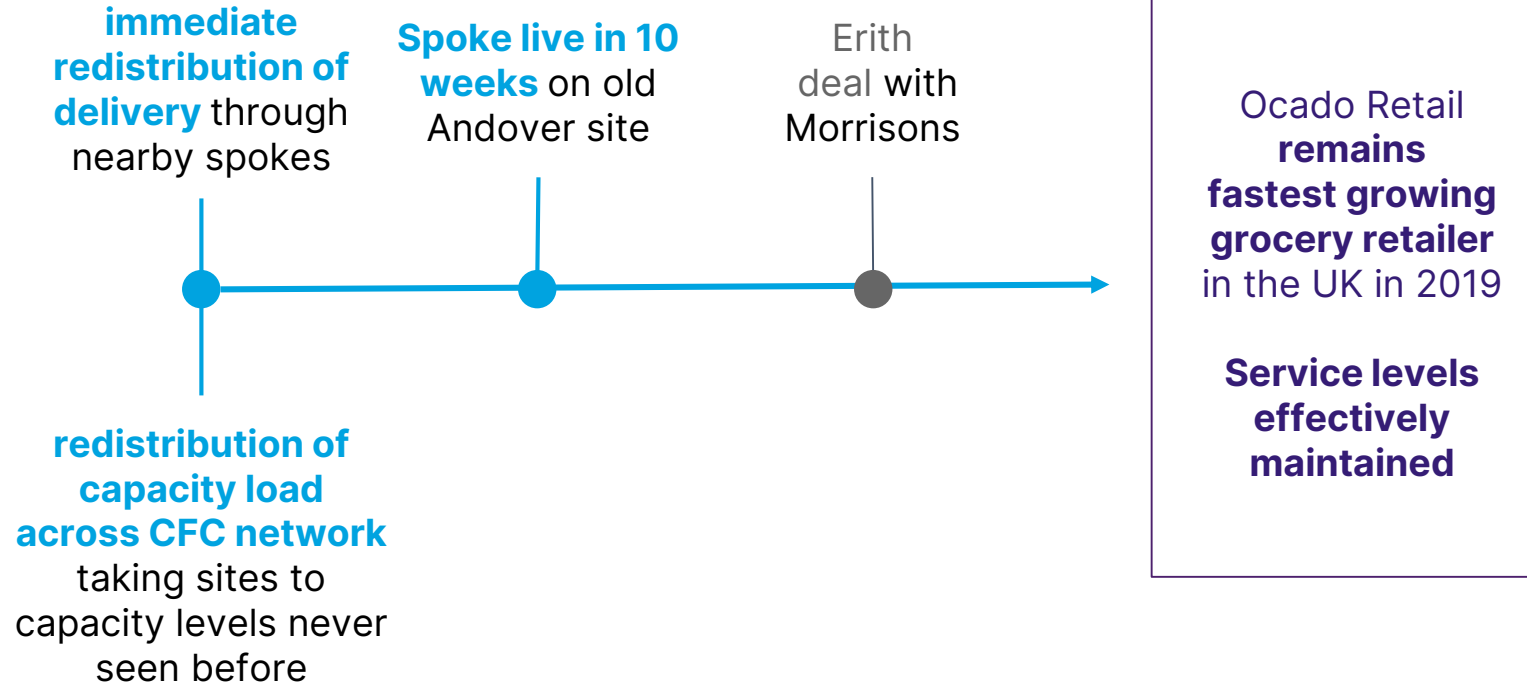
10%
lost operating
capacity



10%
lost growth
capacity

Threatening ability to both grow and maintain service levels

Teams responded at speed to preserve service levels and flex to new operating levels across the remaining network, with incredible results



Andover (CFC3) rebuild to go-live [at the end of] August

A new, state-of-the-art, site

3Q21

First outbound orders

60k orders per week
capacity at maturity

150 colleagues
employed at the
previous site returning
to the new facility



Best in class site incorporates learnings of the last five years

The newest technology...

'3rd generation' 500 series bot

Modular build with fewer,
interchangeable components

Latest generation pick stations

separates in and out feeds to
picker, for better productivity

Integration with CFC digital twin

even better ability to optimise

with optimised operations

Improved layout

Better internal and
external process flow

Experienced colleagues

Employed at initial
Andover site and in
of Bristol launch and ramp

More flexibility

More direct delivery drives
opportunities for cost efficiencies
and more same day service

Driving better outcomes compared with the original site

Faster ramp up

**Better productivity
during ramp and at maturity**

More capital efficient

A more efficient, scalable and flexible site



Partnership

Luke Jensen, CEO, Ocado Solutions

7 partners now live on the Ocado Smart Platform (OSP)

1H21: the pace of OSP roll out is picking up

Go-live of 3 automated CFCs, with sites now live in 4 partner markets globally

Kroger (US) launched CFC 1 and 2

Ocado Retail (UK) launched CFC 5

Sobeys (Canada) ramping CFC 1

Casino (France) ramping CFC 1

Go-live of manual software solutions in 2 markets; now live in 5 markets globally

ICA (Sweden) launched first dark store

Kroger and **ICA** went live with in-store fulfillment (ISF) solution

Morrisons, **Sobeys**, **Bonpreu** scaling solutions

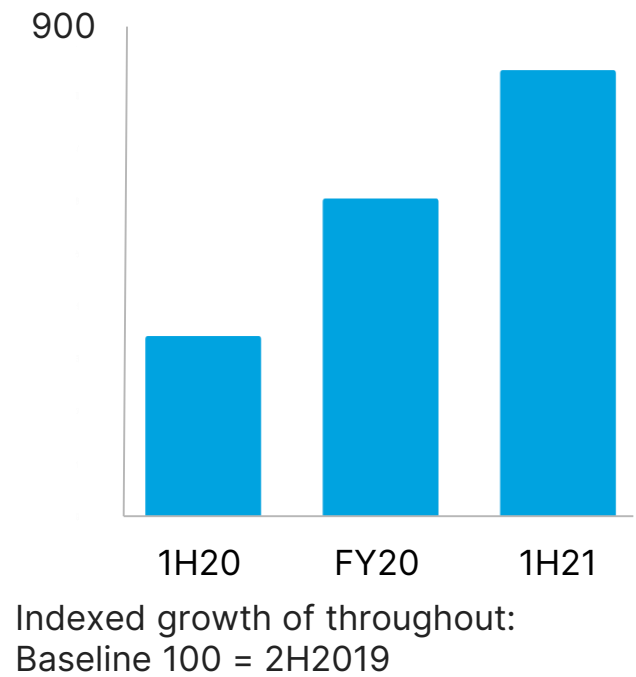
7 of 10 partners now live on OSP



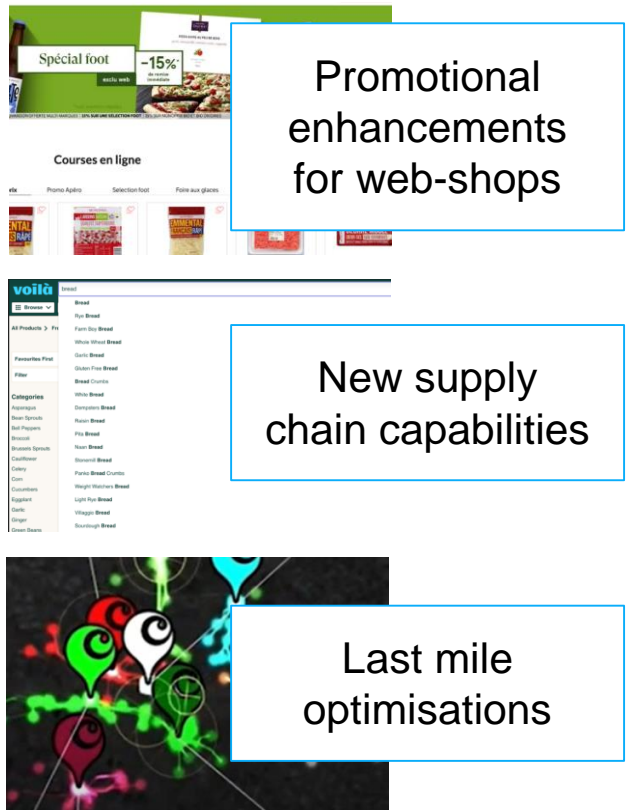
A resilient online platform that grows with partner needs

Continuing to scale software capabilities available to partners

Accelerating ramp of delivery of software capabilities each half



Delivering differentiation and resilience across the platform



So partners can lead in the fast growing online grocery channel

Continually driving down costs

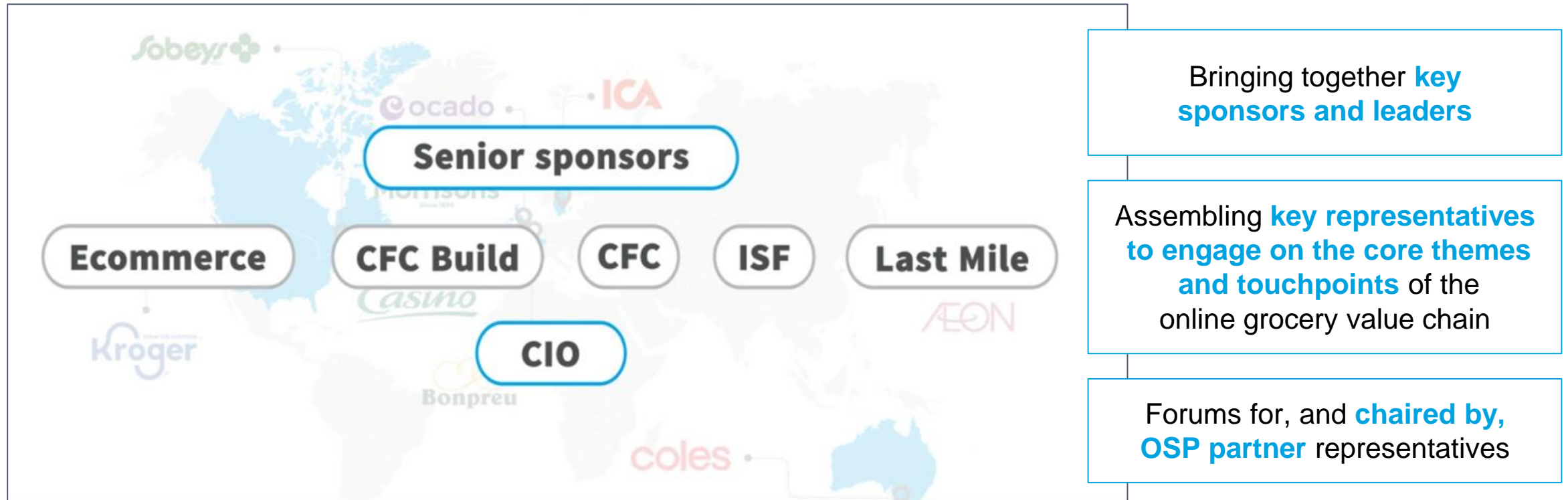
Enhancing revenue streams online

Enabling a truly market leading service

An end-to-end, integrated software approach sets OSP apart from a fragmented solutions landscape for online grocery

Facilitating shared learnings between OSP partners

Deliberate framework to leverage end-to-end learnings in online grocery



An increasingly valuable tool as partners scale and more partners join the platform

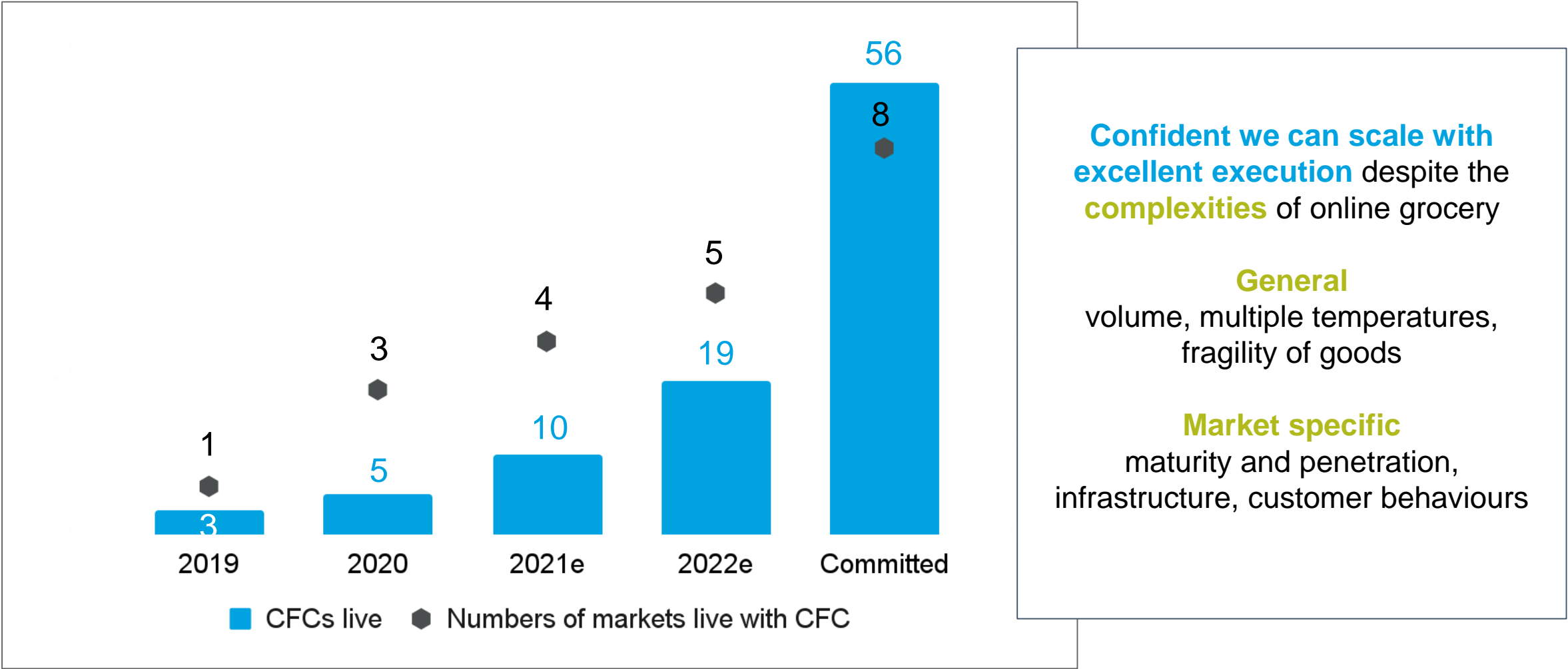


Problem Solving

James Matthews, CEO, Ocado Technology

Meeting a significant and permanent shift to the online channel

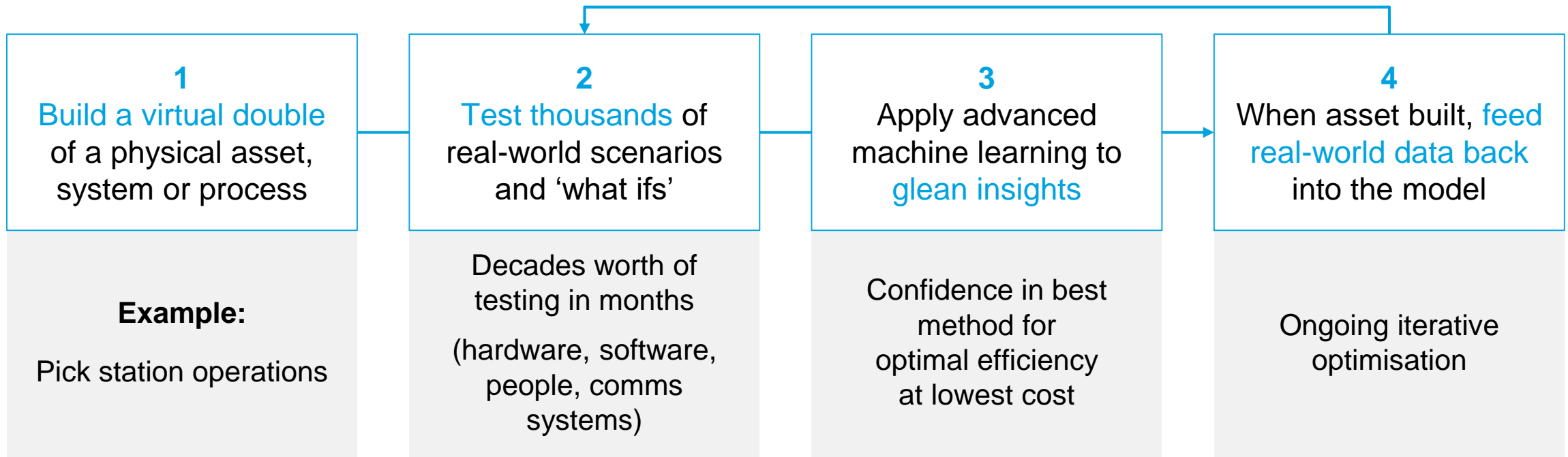
Accelerating the roll out of OSP around the world with our partners



Scaling at speed and with confidence: the power of simulation

Using simulation to de-risk complex builds and optimise performance across the end-to-end platform

Creating 'true' digital twin



A virtuous cycle, improving the accuracy of models over time

An increasing competitive advantage for partners as we scale

Increasing our data set and knowledge even further, so that we can achieve ever better performance at the lowest cost for our partners

