

Ocado Group plc 2011 Preliminary Results

31 January 2012

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Agenda



- Financial Review – Andrew Bracey
- Business Review – Tim Steiner
- Q&A

Andrew Bracey

CFO

Highlights



- **Financial Highlights**
 - Gross sales up 16.6% to £642.8m
 - Adjusted¹ EBITDA up 26.6% to £27.9m (EBITDA margin² 4.7%)
 - Net Assets £172.9m
 - Cash £92.1m, Net Debt £19.2m
- **Statutory Highlights**
 - Revenue up 16.0% to £598.3m
 - Operating profit £1.1m compared with an operating loss in the prior year of £5.4m³
 - Loss before tax £2.4m down from £12.2m in the prior year
- **Operational Highlights**
 - Average orders per week up 18.6% to 110,219
 - Items delivered exactly as ordered were 98.3% for the year
 - Deliveries on time or early were 92.3% for the year

1) Adjusted to exclude exceptional items in 2010

2) Expressed as a percentage of Revenue

3) Includes £3.5m of exceptional pre IPO costs

Financial summary



	FY11 (£m)	FY10 (£m) ¹
Gross sales	642.8	551.1
Revenue	598.3	515.7
Gross profit	184.8	161.6
EBITDA	27.9	22.0
Exceptional items	0.0	(3.5)
Depreciation & Amortisation	(26.8)	(23.8)
EBIT	1.1	(5.4)
Interest	(3.5)	(6.9)
EBT	(2.4)	(12.2)

	FY11 ² (% Revenue)	FY10 ² (% Revenue)
	30.9	31.3
	4.7	4.3
	0.0	(0.7)
	(4.5)	(4.6)
	0.2	(1.0)
	(0.6)	(1.3)
	(0.4)	(2.4)

1) Include one-off IPO costs of £3.5m

KPIs



	FY11	FY10	% Change
Average order size (£) ¹	112.15	114.06	(1.7)
Average orders per week	110,219	92,916	+18.6
CFC efficiency (units per hour) ²	111	121	(8.2)
Average deliveries per van per week	145	133	+8.7
Average product wastage (% of revenue) ³	0.70	0.64	n/a
Items delivered exactly as ordered (%) ⁴	98.3	99.0	n/a
Deliveries on time or early (%)	92.3	94.9	n/a

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

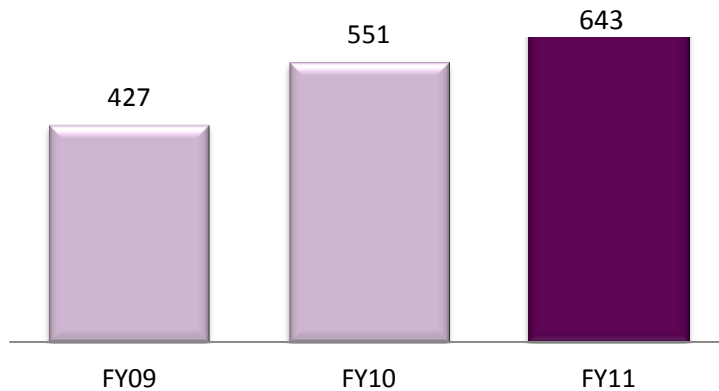
2) Measured as units dispatched from the CFC per hour worked by CFC operational personnel

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

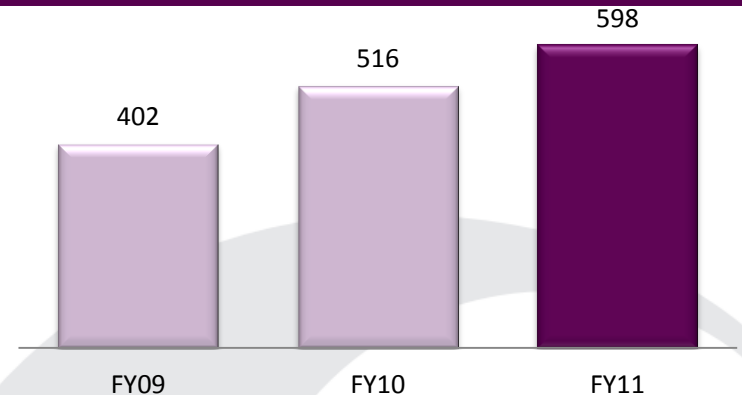
4) Percentage of all items delivered exactly as ordered, i.e. the percentage of items neither missing nor substituted

Sales drivers

Gross Sales, £m



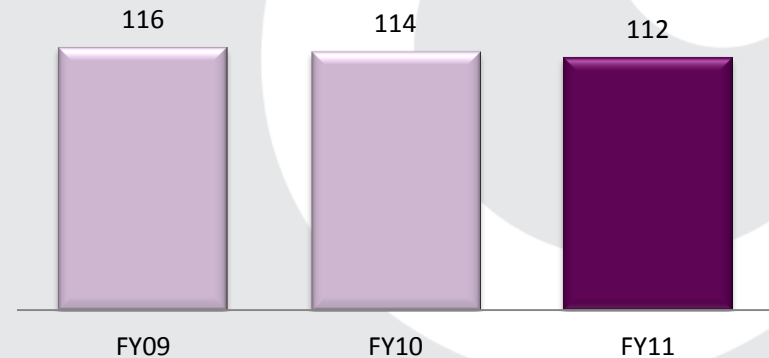
Revenue, £m



Average Orders Per Week, k

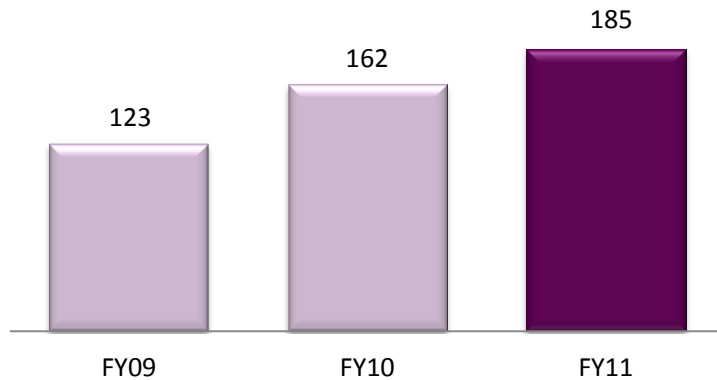


Average Basket Size, £

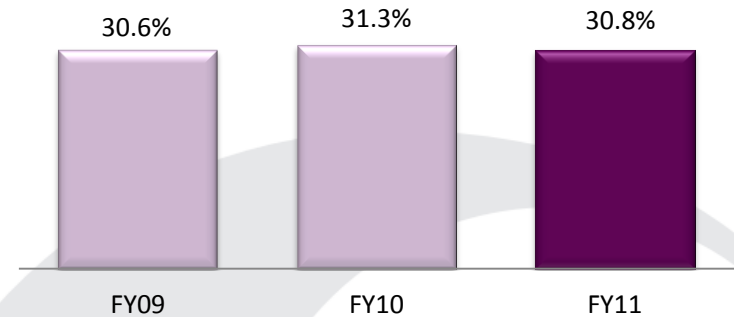


Gross profit

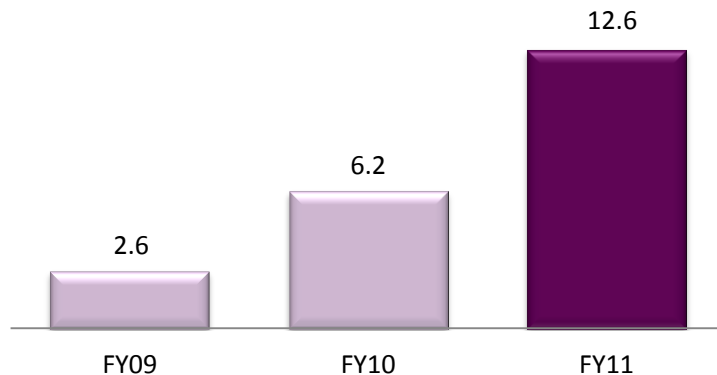
Gross Profit, £m



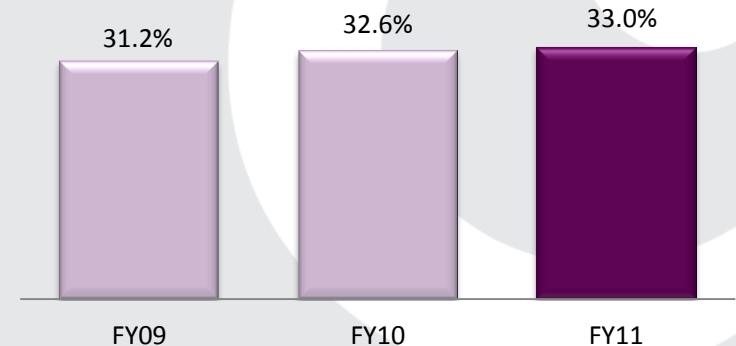
Gross Margin¹



Other income, £m



Gross margin¹ (incl. other income)



¹) Expressed as a percentage of Revenue

Operating costs



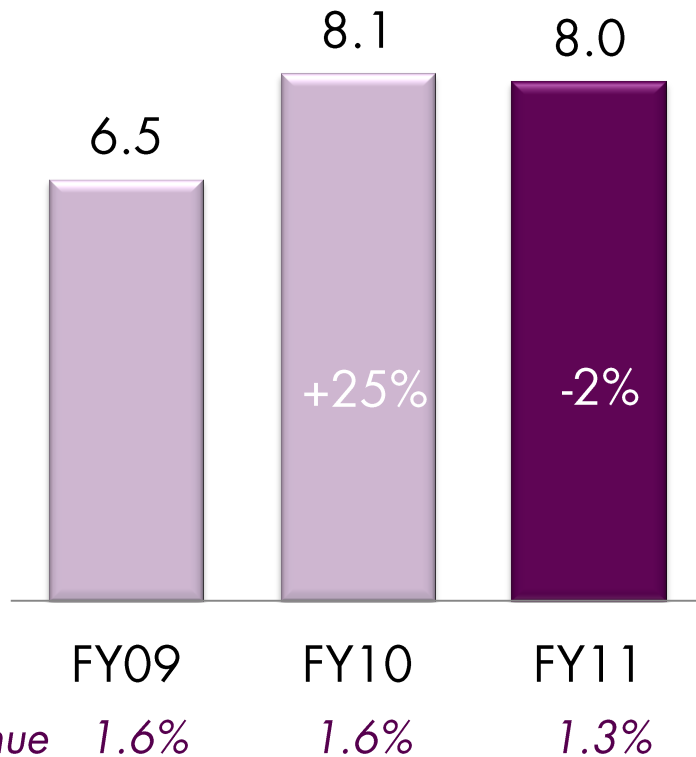
	FY11 (£m)	FY10 (£m)	Growth
Total	196.2	169.7	15.6%
Trunking & delivery	71.9	63.4	13.3%
CFC	55.0	47.6	15.5%
Other operating costs	6.5	5.2	25.0%
Admin expenses (including marketing)	36.0	29.6	21.7%
Depreciation & amortisation	26.8	23.8	12.4%

FY11 (% Revenue)	FY10 (% Revenue)	Change in % Revenue FY10 – FY11
32.8	32.9	(0.2)
12.0	12.3	(0.3)
9.2	9.2	(0.1)
1.1	1.0	0.1
6.0	5.7	0.2
4.5	4.6	(0.2)

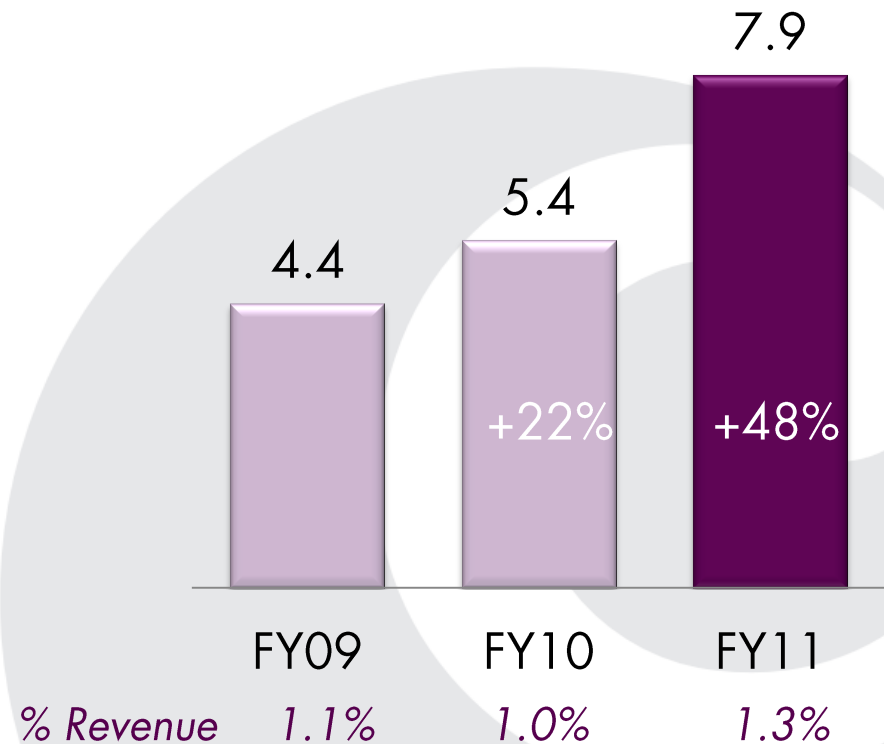
Marketing



Vouchering costs, £m



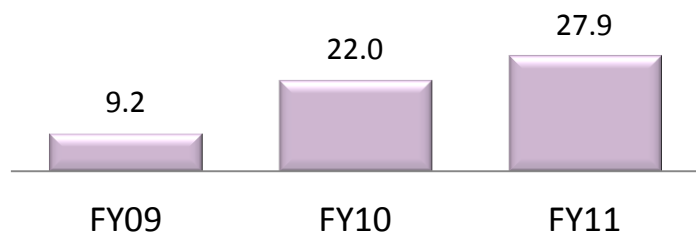
Marketing costs, £m



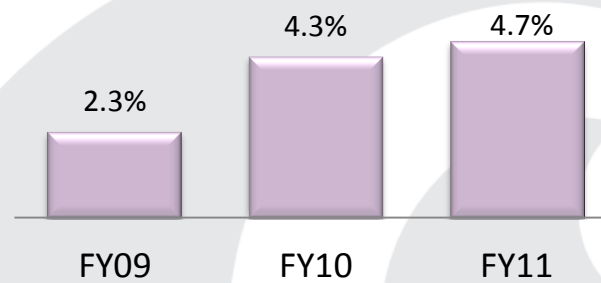
EBITDA



EBITDA, £m



EBITDA, % of Revenue



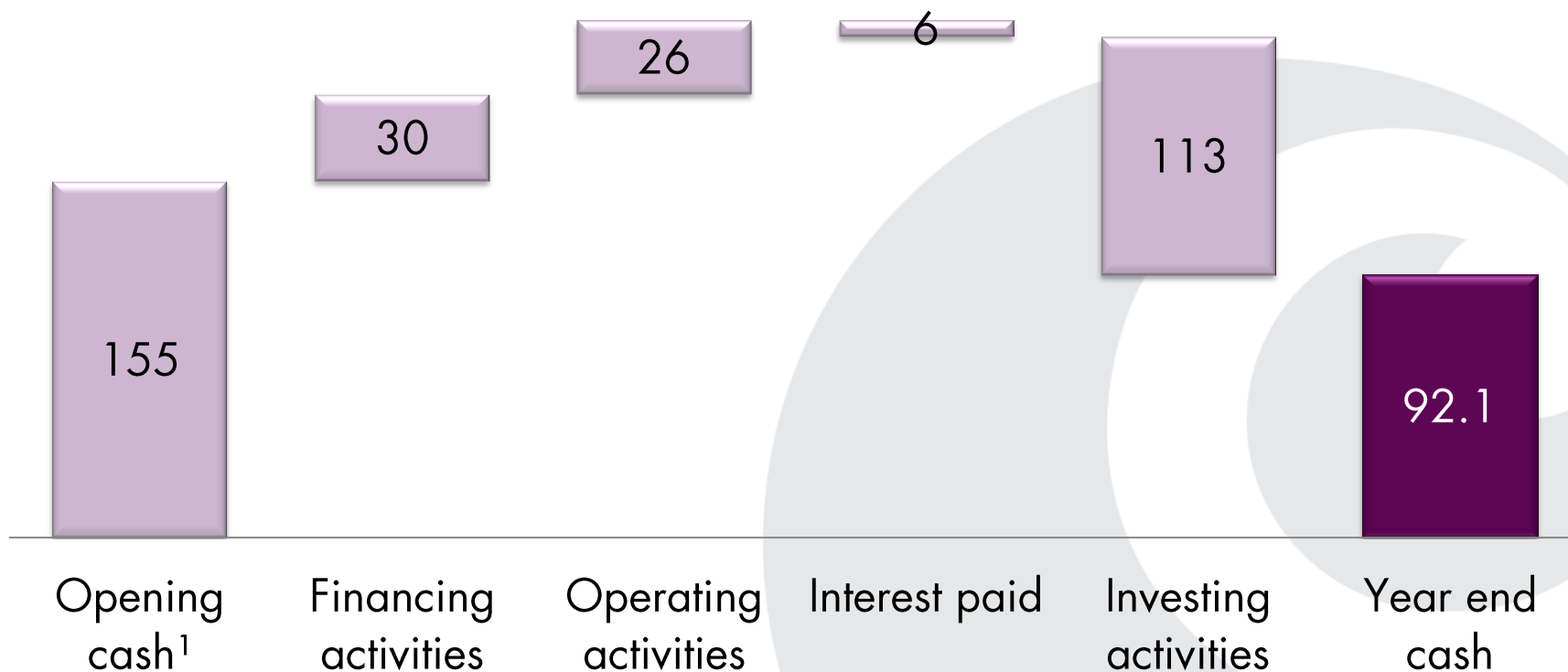
Balance sheet



		FY11 (£m)	FY10 (£m)
Non-current assets	Property, plant and equipment	194.1	100.0
	Other	23.3	15.8
	Total	217.4	115.8
Current assets	Cash and cash equivalents	92.1	124.6
	Other current assets	52.2	61.6
	Total	144.3	186.2
Total assets		361.7	302.0
Current liabilities	Trade and other payables	(75.6)	(55.5)
	Obligations under finance leases	(19.6)	(16.5)
	Other current liabilities	(4.3)	(2.4)
	Total	(99.5)	(74.4)
Non-current liabilities	Obligations under finance leases	(42.6)	(45.6)
	Other non-current liabilities	(46.7)	(10.2)
	Total	(89.3)	(55.8)
Total liabilities		(188.8)	(130.2)
Net assets / (liabilities)		172.9	171.8

Cashflow

Cashflow, £m



1) Including short term treasury deposits

Capital investment



	2011 (£m)	2010 (£m)
Total CAPEX	126.1	35.0
CFC 1	27.7	13.5
CFC 2	72.6	2.0
Vehicles	7.1	11.0
Spokes	4.7	1.1
IT	12.7	7.4
Other	1.2	0.0

Summary



- Significant progress in growing sales in weak UK economy
- Strong cash position with £92.1m cash and total undrawn facilities of £78.8m
- Sales growth for Q1 expected to be around 10%, broadly in line with Q4 2011

Tim Steiner

CEO

Overview



Highlights for Period

Continued market growth and development

- Online grocery market growth continued through 2011
- Estimated to reach £11bn* of sales by 2016
- Market grows as online proposition improves

Enhancing our offer to customers

- Further development of our grocery range
- Continued a competitive pricing strategy
- Enhanced usability and accessibility

Expanding existing capacity

- Capacity increased to 131.4k orders in peak week (week ending 27 November 2011) through major CFC1 improvement projects
- 2 new spokes in Bristol and Wimbledon, Oxford spoke opening 31 January 2012
- CFC2 under construction, on budget and on time to open Q1 2013

Innovation and technology at our core

* Source: IGD September 2011

Improved range, price and service move customers

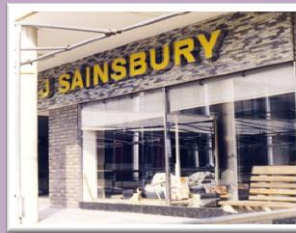
Channel Shift

Pre 1950s local store



- Limited range
- High prices
- Bespoke service

High street chain



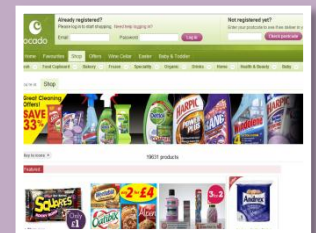
- Wider range
- Lower prices
- Limited service

Out of town supermarket



- Wider range
- Lower prices
- Inconvenient location

Online



- Extensive range
- Price competitive
- Superior freshness
- Convenient and easy to use
- Leading availability and reliability

Ocado - developing the online grocery proposition



Online Drivers



- Targeting over 30,000 SKUs end 2012 - including authentic international/ethnic
- Adding an additional range of non-food over the next two years
- Freshness



- Currently price match Tesco over 7,000 branded products



- 18% of orders placed through mobile devices, and growing
- Most recent Webshop has cut time to shop by 25%



- **98.3%** items delivered as ordered
- **92.3%** deliveries on time or early

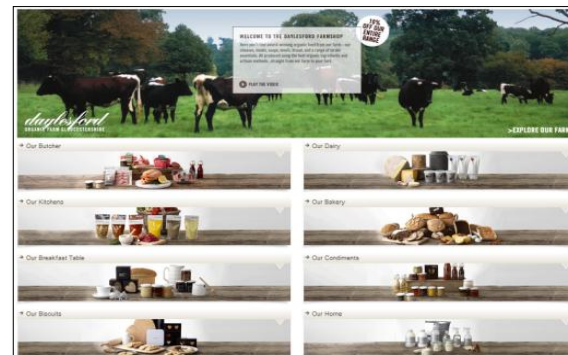
Partnerships and 'shop in shop'

We aim to offer the broadest and most diverse grocery range to our customers

Reflets de France



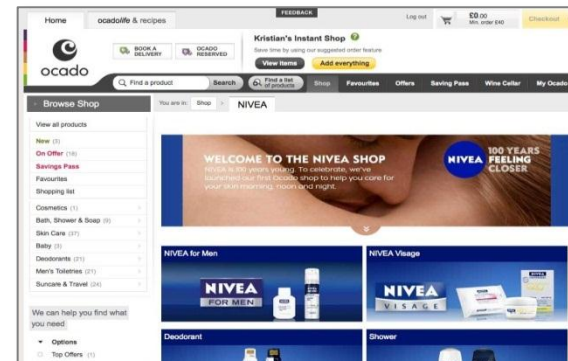
Daylesford Farm



Weightwatchers



Nivea



Own brand development



Ocado Own Brand

- Offering customers greater choice and a wider range of prices
- Fill gaps in Waitrose range
- Quality and price equivalent to Sainsbury's & Tesco standard own brand ranges
- Currently over 600 SKUs, set to expand further in 2012
- New label design

Selected basket standard own brand products (Jan 2012)*

Product	Waitrose	Tesco	Sainsbury's	Ocado
British Beef Stewing Steak (£/kg)	8.87	8.25	8.25	8.24
Cumberland Pork Sausages (£/kg)	4.60	4.38	4.38	4.38
Large free range eggs (£/Each)	0.27	0.24	0.24	0.24
Smoked Salmon (£/kg)	39.90	34.90	33.33	33.25



* Company websites

Price offer



Ocado is increasingly price competitive



69.5%

of branded baskets were
cheaper at Ocado than
at Tesco.com

between 03/10/11 and 28/10/11.

TESCO

30.5%

of branded baskets were
cheaper at Tesco than
at Ocado.com

between 03/10/11 and 28/10/11.

Ocado Saving Pass – at least 10% off over 600 leading branded lines



Ocado Saving Pass

- In return for a small annual fee, Ocado Saving Pass holders are offered discounts of at least 10% off a range of over 600 leading branded products (in addition to any Tesco price matching)
- Ocado Saving Pass costs £8.99 per year
- Customer roll-out progressing well
- Supplier funded - margin maintained

The banner at the top shows a collection of household products like Crunchy Nut, Evian, and Duracell, with a 'Saving Pass' logo and a 'At least 10% Off' badge. Below the banner, the 'HOW IT WORKS...' section is divided into three numbered steps: 1. Choose, 2. Sign up, and 3. And save. Each step includes a brief description of the process and a button to guide the user.

Saving Pass At least 10% Off Discounts on your favourite brands all year round

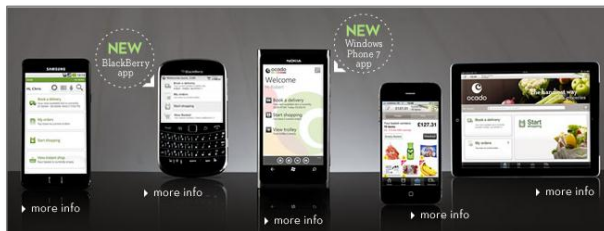
HOW IT WORKS...

- 1 Choose**
Save 15% SEE HOW →
As you browse our Shop, you'll find this red button on all products that are included in one of our Saving Pass groups. Simply click the button to find out more about the group it belongs to. Want to take a look at all the groups? If you're an Ocado customer, you'll find them under your Saving Pass tab when you log in.
- 2 Sign up**
Sign up
For the very best savings, sign up for an annual Total Saving Pass and save on every single product included in the programme. Or, if you'd rather mix and match your Saving Pass, simply find the groups that suit you and sign up to as many as you like.
- 3 And save**
SAVING PASS
The Saving Pass tab will appear on every product that's included in one of your Saving Pass groups. You'll save at least 10% on each one, but you can click on the tab to remind yourself exactly how much you're saving.

Technology and innovation

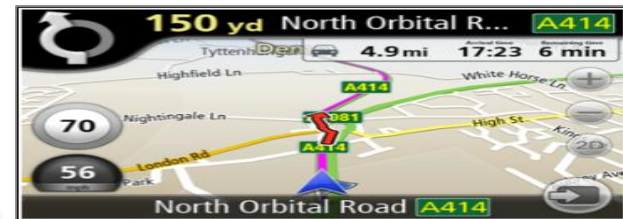
Mobile

- One-Click Additions
- Now available on iOS (for iPhone, iPad), Android, Windows Phone 7 and Blackberry platforms



Efficiency

- Ocado bespoke SatNav, van tracking and routing technology
- Improved cubing algorithm improves tote fill and reduces product damage



Capacity

- 3D Simulation & Live monitoring of the CFC
- Smart control algorithms improve tote flow



Customer service

- Relaunched & redesigned Webshop
- "Where is my order?" on website & mobile
- New Call Centre system enhancing customer service & driving internal efficiency

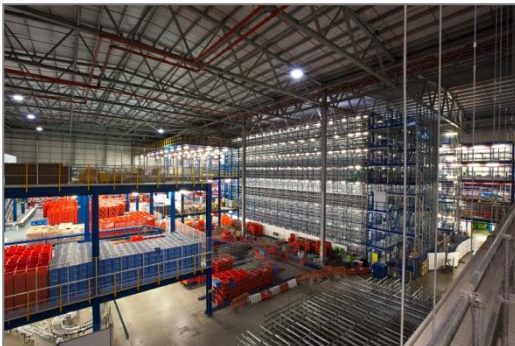


CFC1 capital project summary

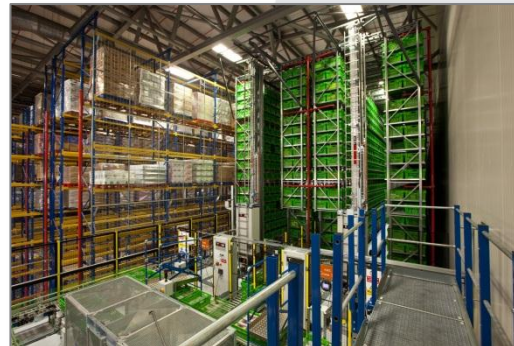
On-going projects – CFC1

	Overview	Productivity	Capacity	Status
Ambient mini-load	Automated store of 40k ambient totes	✓	✓	Live
Conveyor extension	c5km of additional conveyor for load balancing, buffer and flow		✓	Live
Flow Rate Control	Smart control software to regulate tote flow		✓	Live
Ambient zone pick	Extension of zone pick capacity with latest generation conveyor		✓	Live, in ramp up
OSR2	Fast picking long tail product range extension	✓	✓	H1 FY12

OSR 2



ASRS



Ambient zone pick



CFC2 continues on budget and on time



CFC2 Overview

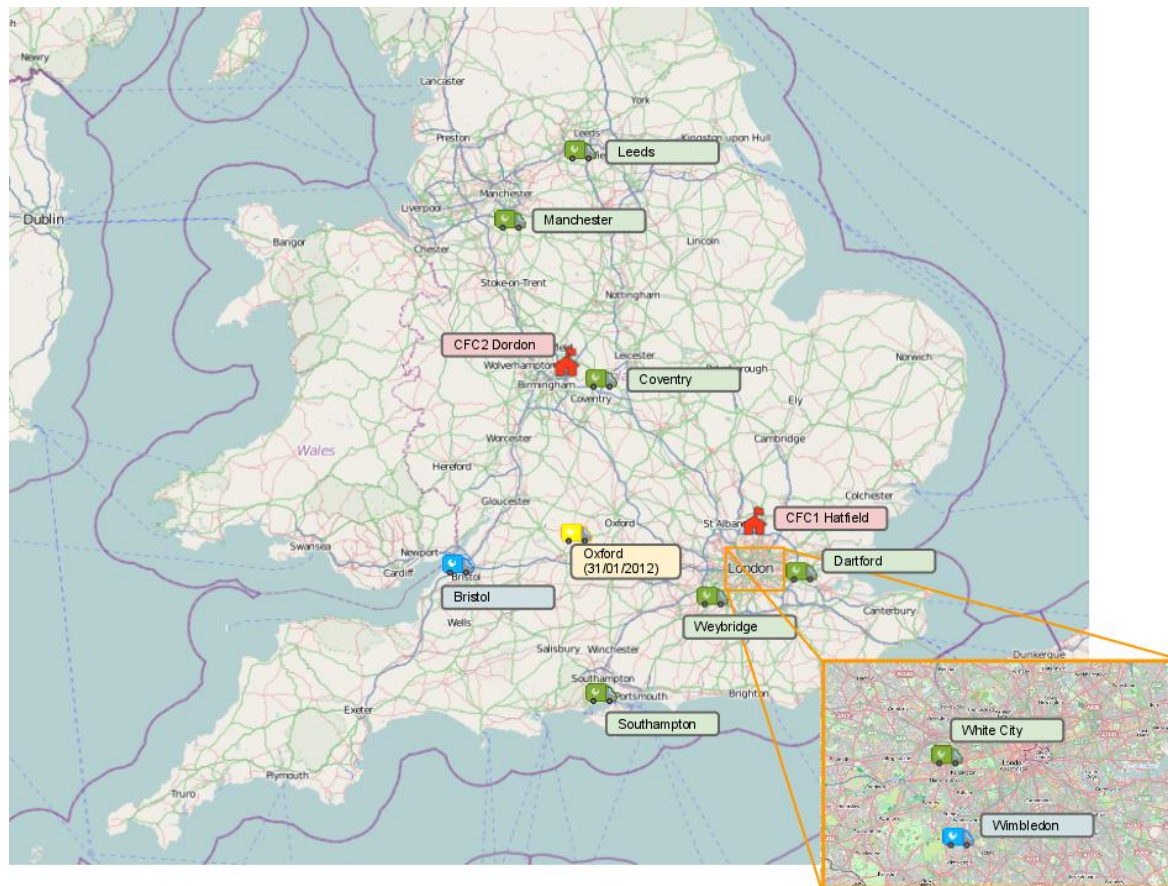
- Land purchased in March 2011
- Building, services and ancillary infrastructure substantially complete
- MHE installation started and advancing well
- End to end system testing from mid-2012
- Go-live planned for Q1 2013
- £72.6m capital spend during FY11
- On budget, on time



Capacity and delivery development



CFC1, CFC2, spoke development



2011 Awards



Voted favourite online
supermarket 2011



Summary



- Online grocery gathering pace – estimated to reach £11 billion by 2016*
- Adoption driven by service, price, range, freshness, availability and ease of use
- Ocado continues to develop the customer price and range appeal with own label and non-food
- Technology and innovation continue to drive customer service and operational efficiency
- Investing in capacity and operational improvement
- On track for future growth and profitability

* Source: IGD September 2011

Q&A