

Next Level Sainsbury's Strategy Update 2024

7 February 2024



Sainsbury's

Welcome





Martin Scicluna





Sainsbury's

Our eight key metrics

Operational

Grocery market share performance	
Strong customer satisfaction scores	
Maintain strong colleague engagement	
Deliver our Plan for Better commitment	

Financial

UPBT growth	
200bps+ reduction in retail operating cost to sales	
Dependable retail free cash flow: £500m+ pa average	
Increase Return on Capital employed ¹	

1. Return is defined as a 52 week rolling underlying profit before interest and tax. Capital employed is defined as group net assets excluding the pension surplus and less Retail net debt.
The average is calculated on a 14 point basis

Strategy Overview

Simon Roberts



Sainsbury's

Our Operating Board



Simon Roberts
Chief Executive



Bláthnaid Bergin
Chief Financial Officer



Rhian Bartlett
Chief Food
Commercial Officer



Graham Biggart
Chief Transformation &
General Merchandise Commercial Officer



Mark Given
Chief Marketing Officer



Prerana Issar
Chief People Officer



Clodagh Moriarty
Chief Retail and
Technology Officer

Our Commitments



Sainsbury's

Our Commitments

Food volume growth ahead of the market

Customer satisfaction higher FY27 vs FY24

Colleague engagement higher FY27 vs FY24

Deliver our **Plan for Better commitments**

Deliver profit leverage from sales growth

£1bn cost savings over three years to FY27

£1.6bn+ retail free cash flow over three years to FY27

Higher return on capital employed¹

Enhanced shareholder returns

- Progressive dividend
- £200m share buyback FY25

1. Return is defined as a 52 week rolling underlying profit before interest and tax. Capital employed is defined as group net assets excluding the pension surplus and less Retail net debt. The average is calculated on a 14 point basis

Food First: Where we are



Sainsbury's

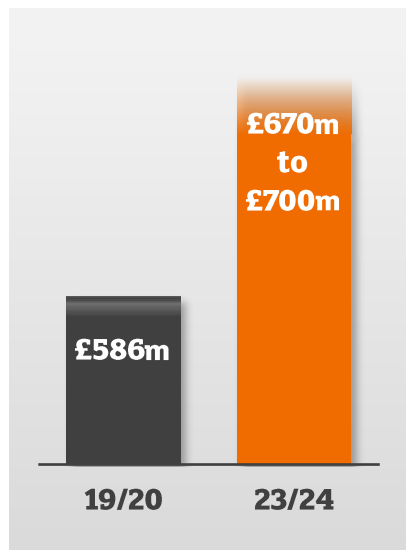
We are now a stronger company

What we set out to do in 2020

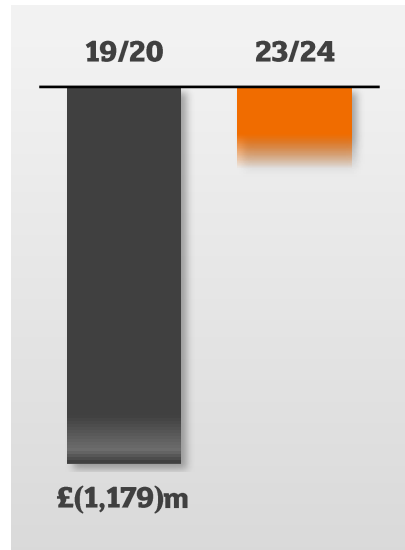
From	To
Food as part of a portfolio of brands	» Food back at the heart of Sainsbury's
Multi-brand, multi-channel 'ecosystem'	» Portfolio brands supporting food, delivering for customers and shareholders in their own right
Cost savings offset by increases - no change to net cost position	» Structurally lower cost position (by at least 2% of sales)
Bias to build	» Pursue partnerships or outsource where faster
Weak earnings performance	» Robust profit delivery , consistent dependable cashflow
Inconsistent metrics and linkage to incentives	» 8 key metrics , consistent reporting, linked to incentives

Stronger financial performance

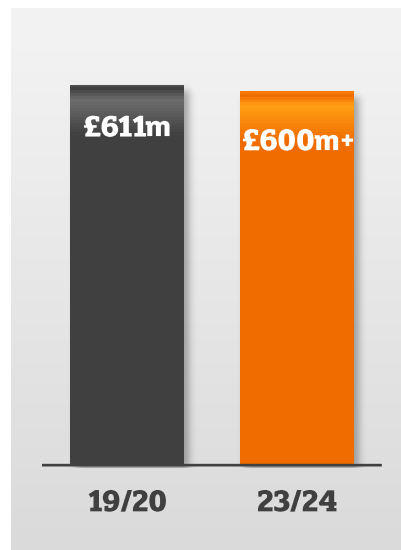
UPBT



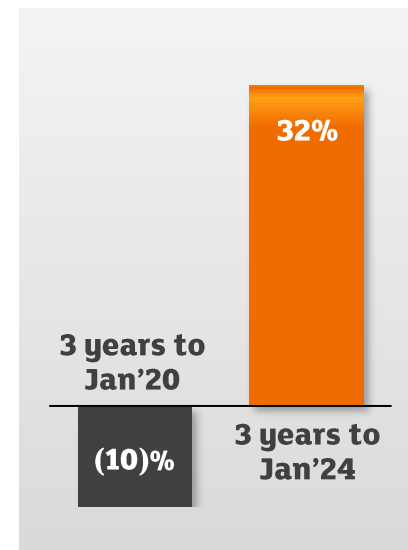
Net debt exc. leases



Retail free cash flow



Total shareholder return

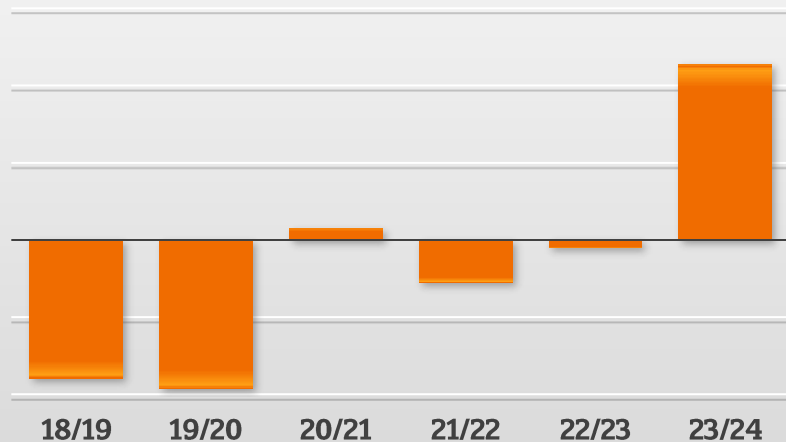


Note: 23/24 based on latest guidance and forecast

Food is firmly back at the heart of Sainsbury's

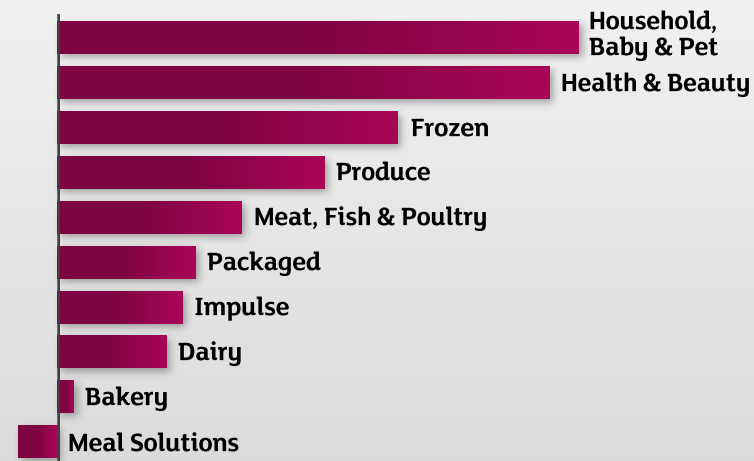
Sainsbury's Grocery volume growth differential to the market

YoY % volume differential to the market¹



Grocery volume growth across the shopping basket

YoY % volume differential to the market²

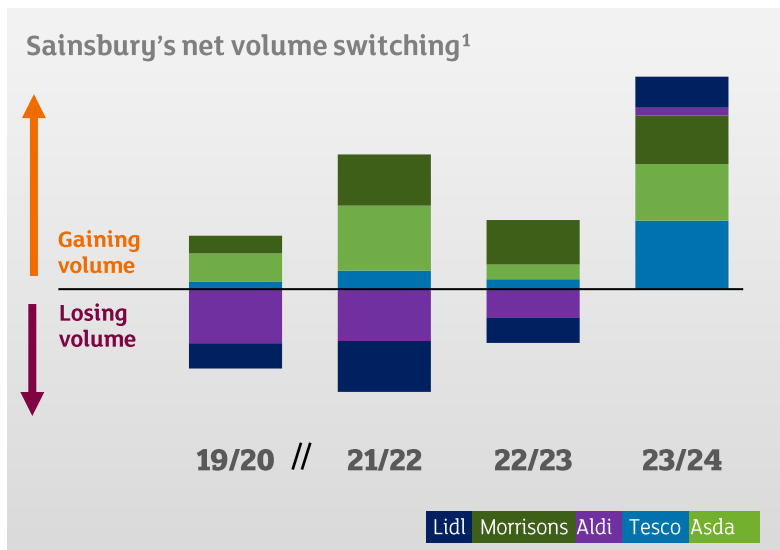


1. Nielsen panel data, Total FMCG excl. Kiosk and Tobacco. Volume growth differential to the market. 23/24 = 44 weeks to 6 January 2024

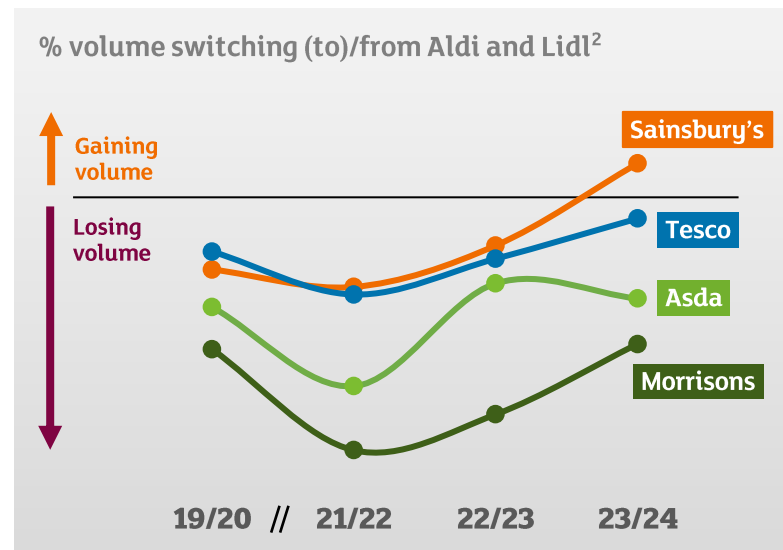
2. Nielsen panel data, Total FMCG excl. Kiosk and Tobacco. Volume growth differential to the market by category. 44 weeks to 6 January 2024.

Food is firmly back at the heart of Sainsbury's

We're gaining volume from our competitors



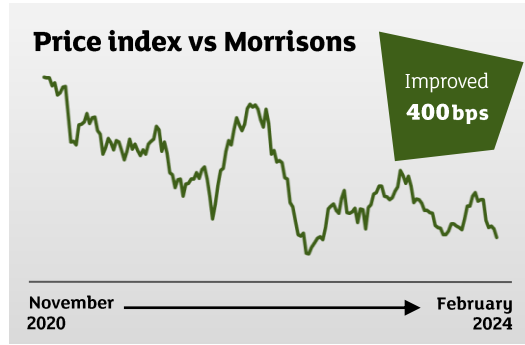
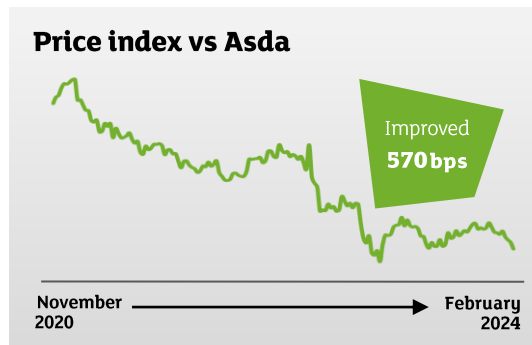
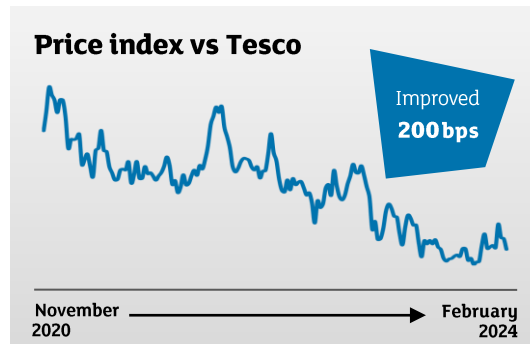
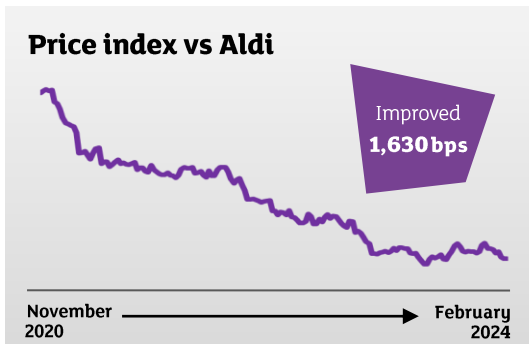
Gaining more, losing less to limited choice supermarkets



1. Nielsen panel data, Total FMC excl. Kiosk and Tobacco. Sainsbury's to / from net volume switching. 23/24 = 52 weeks to 6 January 2024

2. Nielsen panel data, Total FMCG excl. Kiosk and Tobacco. Volume switching to / from Aldi and Lidl expressed as % of total volume. 23/24 = 52 weeks to 6 January 2024

We have reset our competitiveness

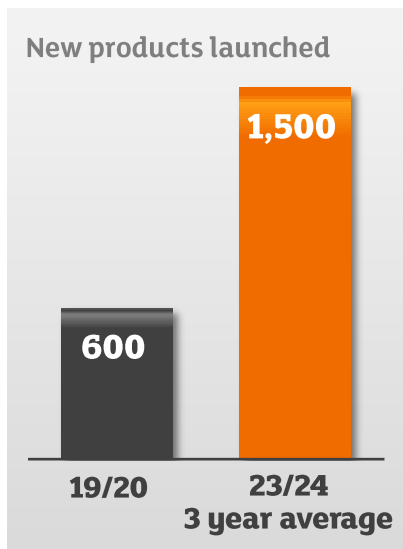


£780m
Value
investment
over
three years

Source: Value Reality, February 2024 vs November 2020; Acuity, internal modelling

We have reignited food innovation

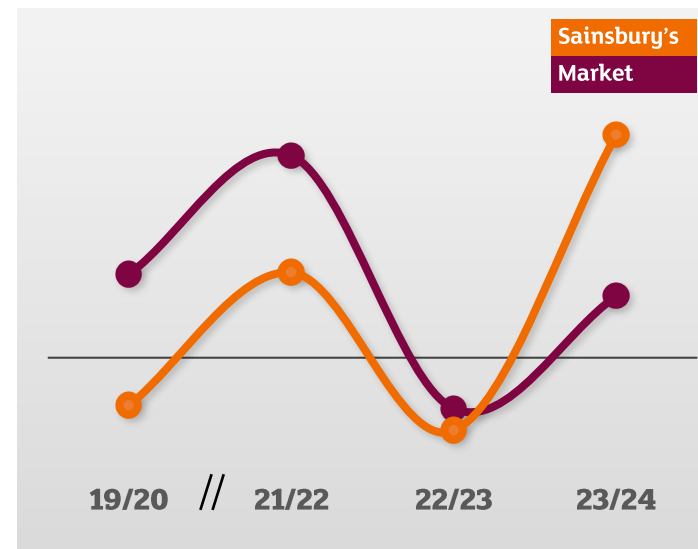
More than doubled our rate of innovation



Larger proportion of premium volume than competitors¹



Taste the Difference now performing ahead of the market²

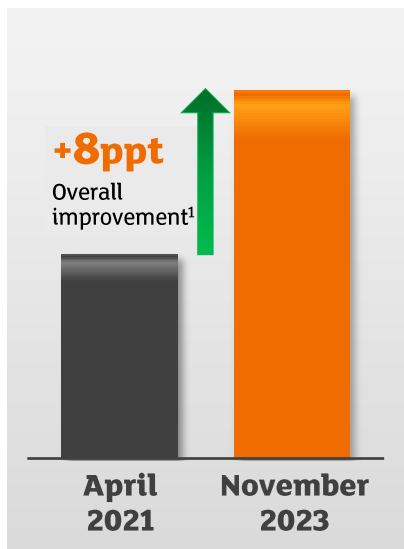


1. Nielsen panel data, Total FMCG excl. Kiosk and Tobacco. Premium Own Label volume as a proportion of total own label volumes. 44 weeks to 6 January 2024

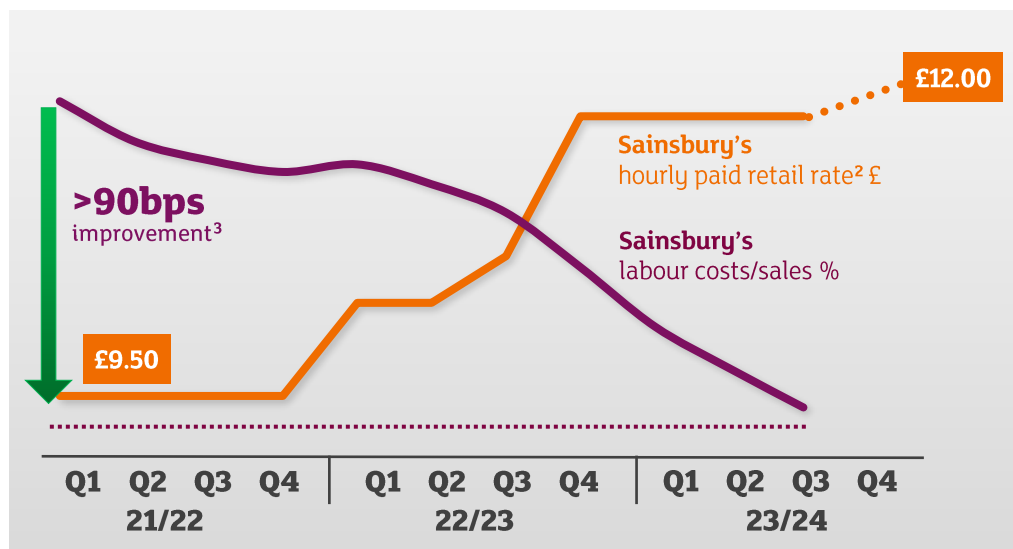
2. Nielsen panel data, Total FMCG excl. Kiosk and Tobacco. Premium Own Label volume growth. 44 weeks to 6 January 2024

Highly engaged and productive colleagues

Improved colleague engagement



Improved productivity

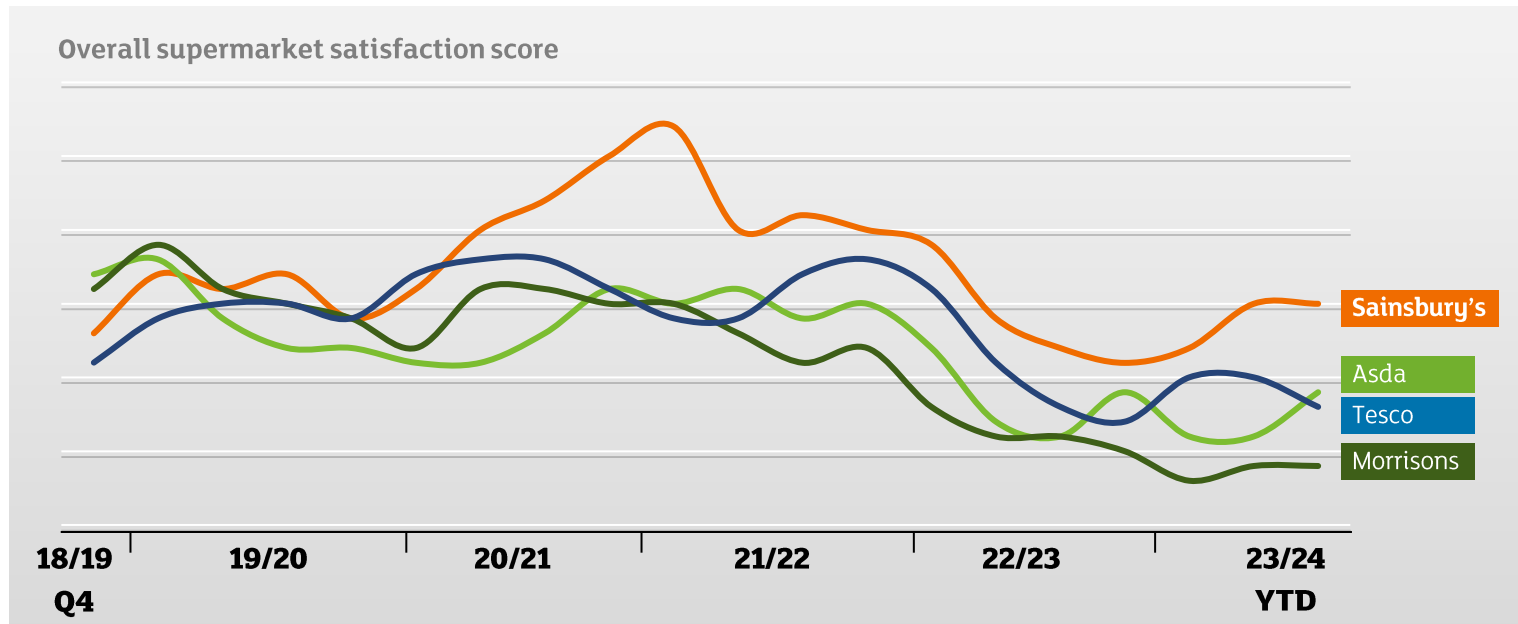


1. eSAT scores November 2023 vs April 2021 (baseline)

2. Rates of pay relate to the National rate (excluding London)

3. Reduction in labour cost / sales (excl. fuel) % Q3 23/24 vs Q1 21/22

Delivering leading customer satisfaction



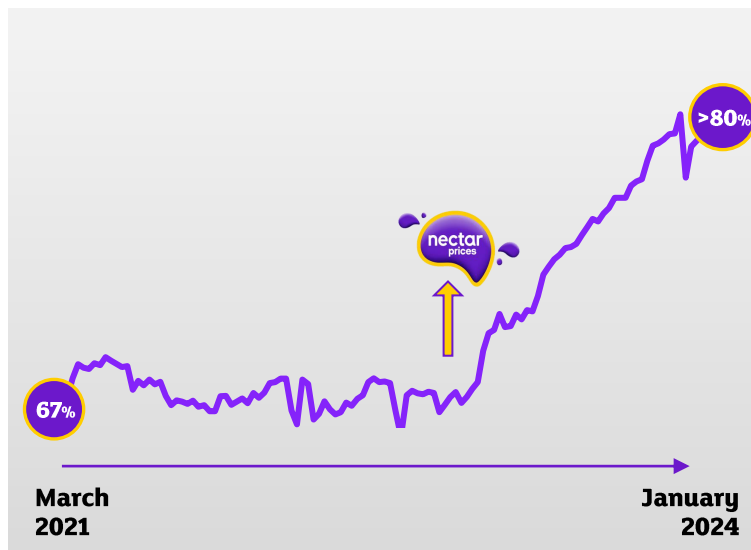
Source: CSAT Supermarket Competitor Benchmark - Overall Supermarket satisfaction score %

Nectar is ahead of plan

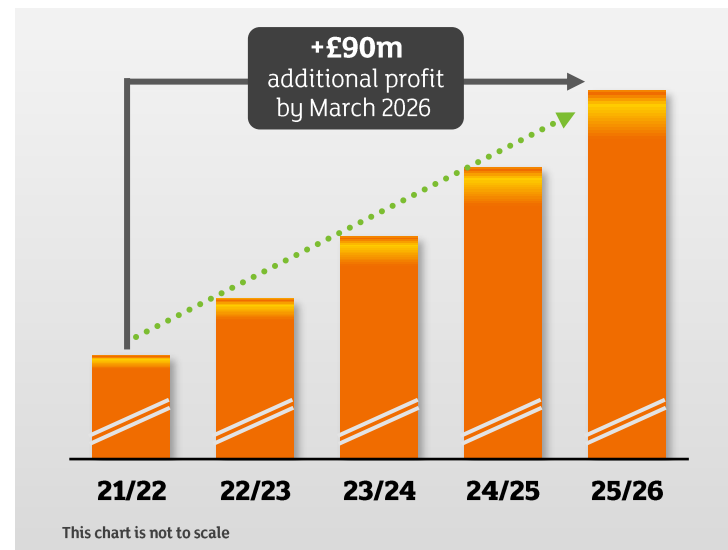


NEC
TAR
360

Nectar participation has significantly increased¹



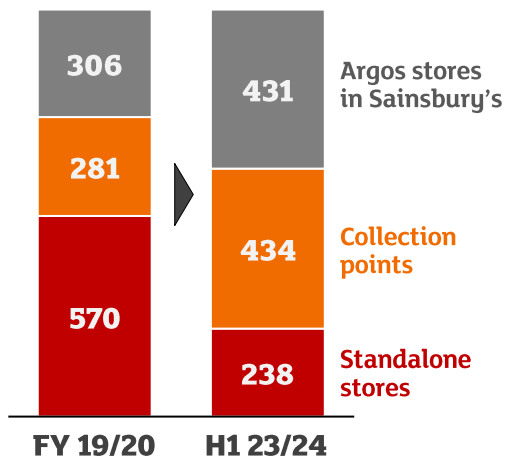
Incremental profit contribution ahead of forecast



1. Supermarkets and Groceries Online

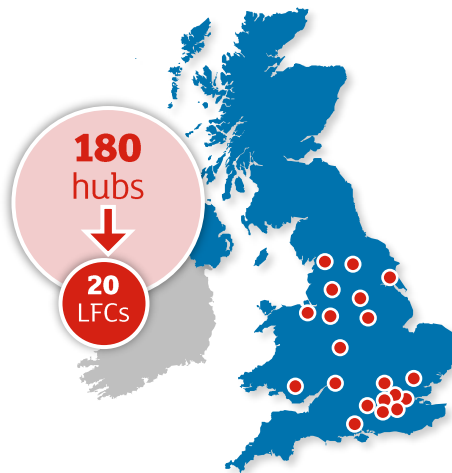
We've transformed our operating efficiency in Argos

Rebalanced our store estate



1,100 Points of Presence

Better availability, more efficiently



Hubs replaced by Local Fulfilment Centres

Digital first convenience



1. SimilarWeb traffic share, 12 weeks to 6 January 2024

2. Largest network of owned click & collect locations (including standalone stores, stores inside Sainsbury's and collection points)

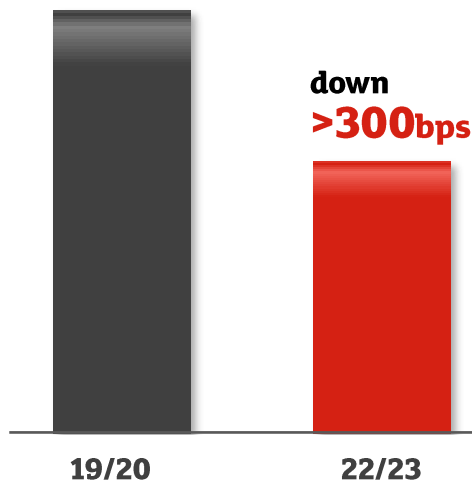
3. 44 weeks: 6 January 2024 vs 11 January 2020

A more resilient business in cyclical markets

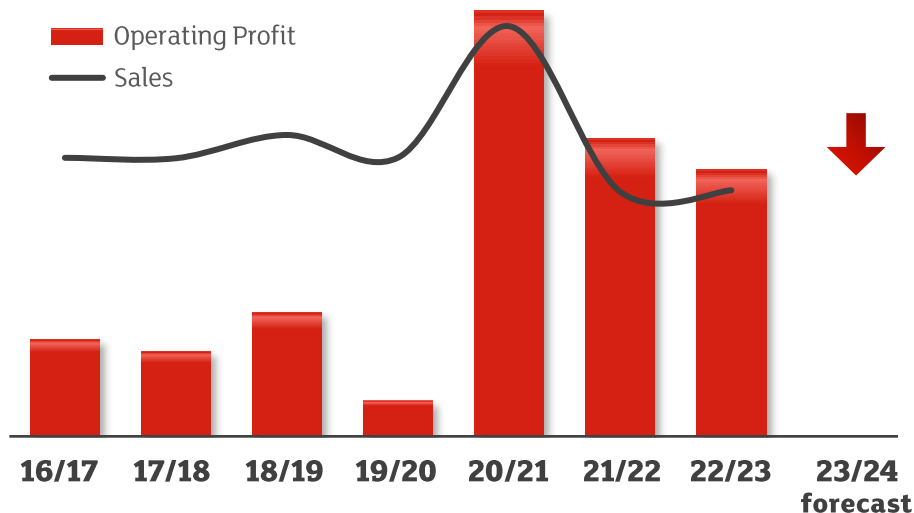


Significant cost base reduction

Argos SG&A to sales

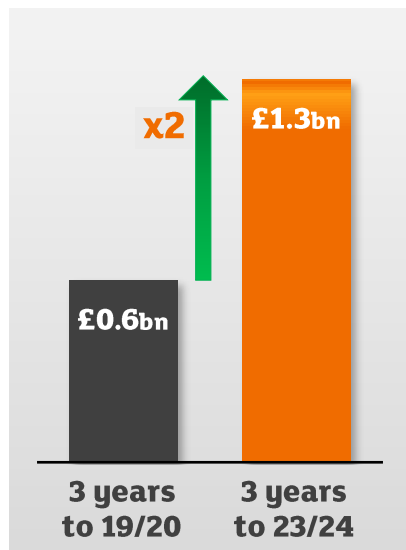


Lower fixed costs protecting profit base

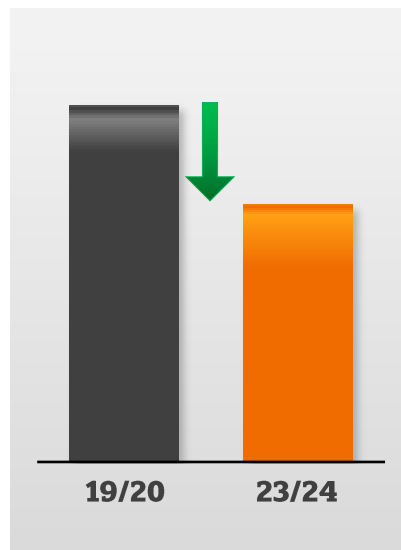


'Save to Invest' delivering cost transformation

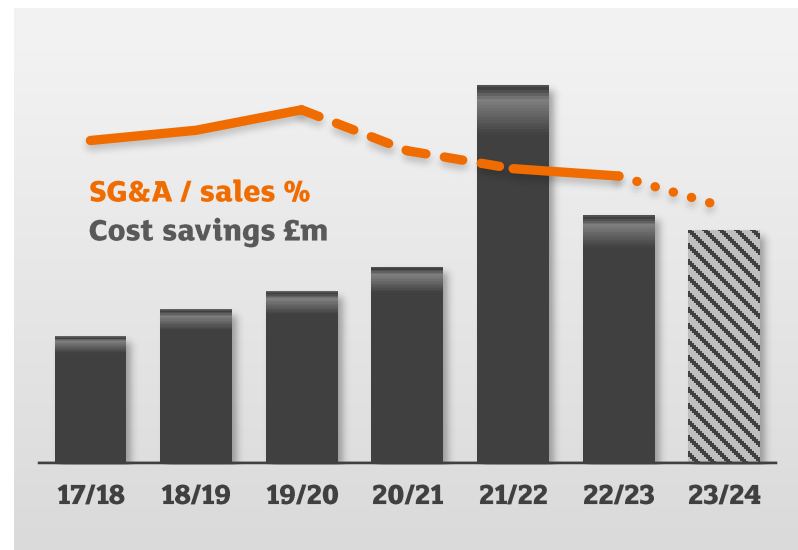
Doubling the run rate of cost savings



Retail SG&A to sales %



Cost savings and Retail SG&A to sales %



Our culture and mindset taking us to the next level

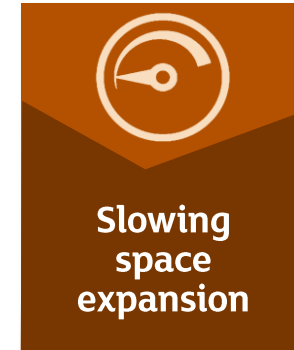


Market context



Sainsbury's

Market conditions will create winners and losers



Well placed to win



**Targeted investment
for growth**

Our deep foundations

Sainsbury's

Real estate



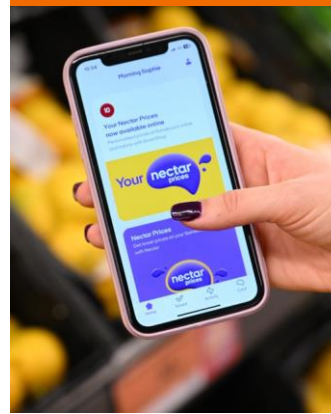
Product assortment



Supplier relationships



Loyalty & personalisation



Brand heritage

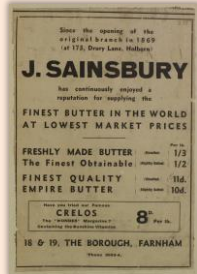


Our brand is our greatest asset

We're at our best when we're at the heart of Britain's relationship with food

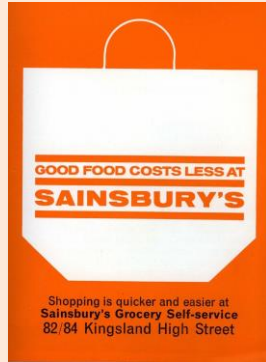
Since 1869

Providing safe food for all



1959

First appearance of "Good food costs less" brand slogan



Shopping is quicker and easier at Sainsbury's Grocery Self-service 82/84 Kingsland High Street

1986

First supermarket to offer organic food



1991

Simply Take recipe cards – inspiring home cooking



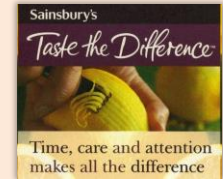
1994

Co-founded FareShare, beginning our long-standing commitment to food donation



1999 - 2000

Be Good to Yourself and Taste the Difference ranges launched



Our brand is our greatest asset

We're at our best when we're at the heart of Britain's relationship with food

2005

"Try Something New Today"
advertising with
Jamie Oliver



2011

"Live well for less"
campaign launched
and sustainability
targets announced



2020

**Keeping
customers and
colleagues safe**
during the Covid-19
pandemic



2022

**Nourish the
Nation**
community
partnership
launched



2023

New brand promise:
"Good food for all of us"
launched



Next Level Sainsbury's



Sainsbury's

We make
good food joyful,
accessible
and **affordable**
for everyone,
every day



We make
good food joyful,
accessible
and **affordable**
for everyone,
every day

First choice
for food

Loyalty
everyone
loves

More Argos,
more often

Save and
invest
to win

First choice for food

**Attract many more people
to choose Sainsbury's as
the place they come to
for good food**

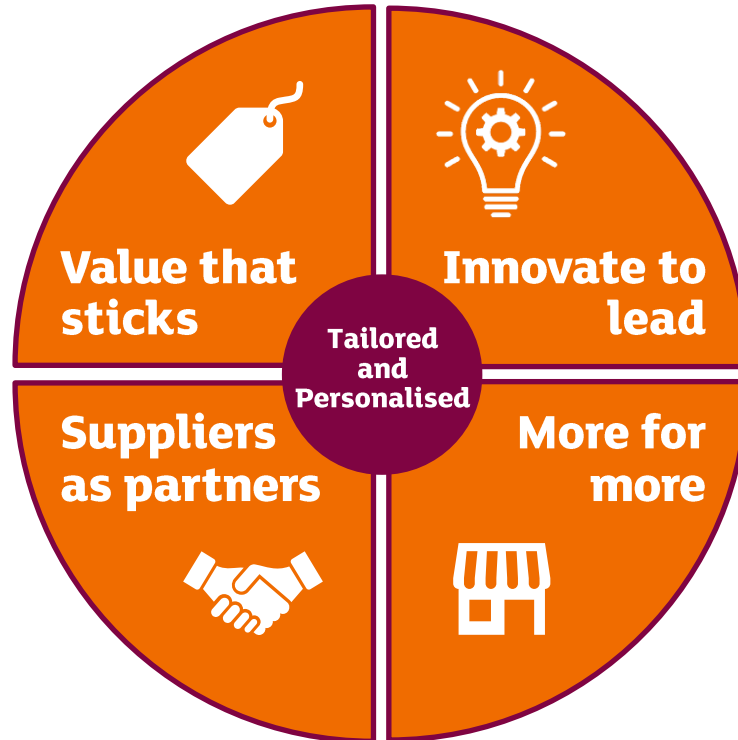
**and play a leading role in creating a
sustainable food system in the UK**

First choice for food

Attract many more people to choose Sainsbury's as the place they come to for good food – and play a leading role in creating a sustainable food system in the UK

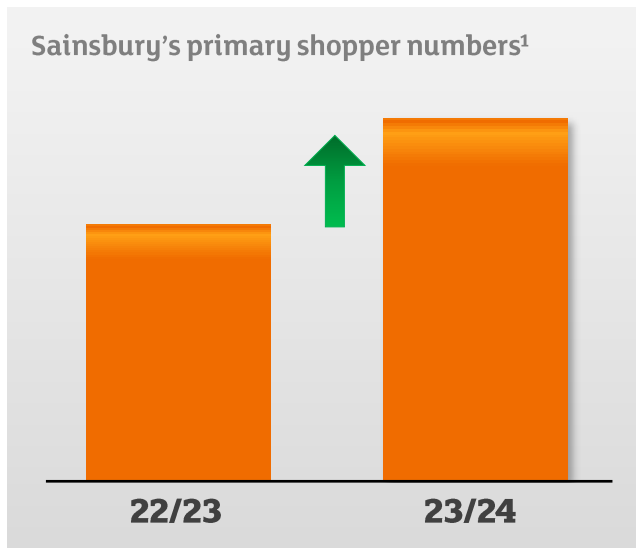
- **More food** choice for **more customers**
- **Consistent value**, every day
- The **leader in freshness, availability and innovation**
- A **complementary range** of relevant products and services
- A **more resilient food system**

First choice for food, building on Food First momentum



We have significant further opportunity

More customers are doing more of their shopping with us



But there is further opportunity to increase our primary shopper numbers



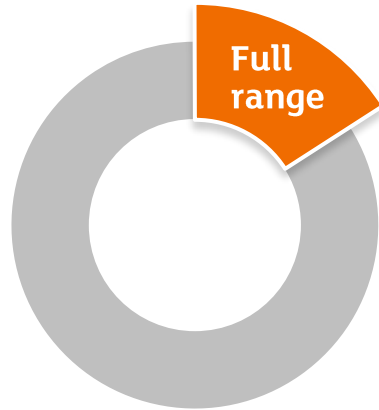
¹ Nielsen panel data, Total FMCG excl. Kiosk & Tobacco. Primary shopper numbers. 23/24: 44 weeks to 6 January 2024

² Nielsen panel data, Total FMCG excl. Kiosk & Tobacco. Proportion of primary shoppers. 44 weeks to 6 January 2024

More for more:

more food range available for more customers

Only **15%** of our
supermarkets
offer our full food range



Solution tailored by store with a focus on fresh food



Clear role for products and services that complement the Food offer



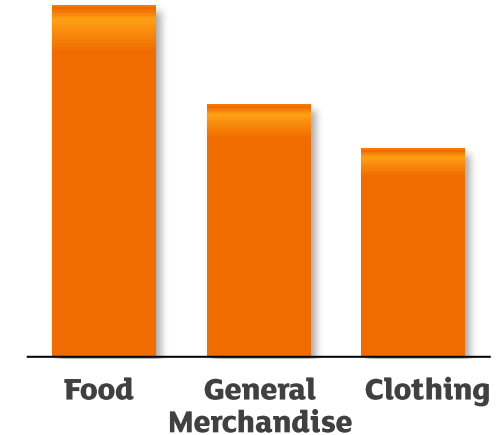
A Sainsbury's General Merchandise business that complements our Food offer

- Tu and Habitat at the core of our offer
- More engaging physical and digital proposition
- Seasonally relevant, accessible design at brilliant value



Rebalancing space to drive profit conversion

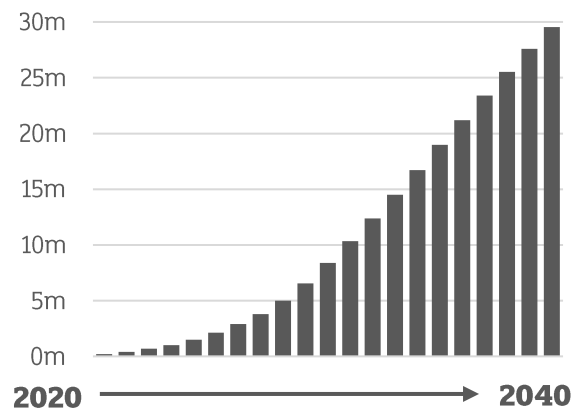
£ profit per sq ft



Sainsbury's can leverage existing assets to deliver a UK-wide Electric Vehicle charging network

A rapidly growing market

Projected number of electric vehicles in the UK



- Ultra-rapid 150kW+ charging
- Up to 200 miles on 30 minute charge
- Reliable offer in safe, well-lit Sainsbury's car parks
- Accessible and inclusive charging bays
- 100% renewable energy



Integrating Plan for Better across our business

Healthy & sustainable diets



Better for you

85% healthy and better for you sales tonnage by 2025

Reduction in carbon emissions



Better for the planet

Reduce **Scope 1 & 2** emissions to **Net Zero by 2035**

Reduction in food waste



Better for the planet

Reduce food waste by **50% by 2030**

Reduction in plastic packaging



Better for the planet

Reduce our use of own brand plastic packaging by **50% by 2025** and **increase recycling**

An inclusive place to work and shop



Better for everyone

Committed to achieving our **diverse leadership representation targets by 2024**

Our long term success depends on a more sustainable UK food system

The way we source



A more sustainable food system



Led by customer demand



Collaboration



Loyalty everyone loves



N E C
T A R
3 6 0

Build a world-leading loyalty platform

– more personalised, joyful,
rewarding and transparent
– for everyone

Loyalty everyone loves

Build a world-leading loyalty platform – more personalised, joyful, rewarding and transparent – for everyone



N E C
T A R
3 6 0

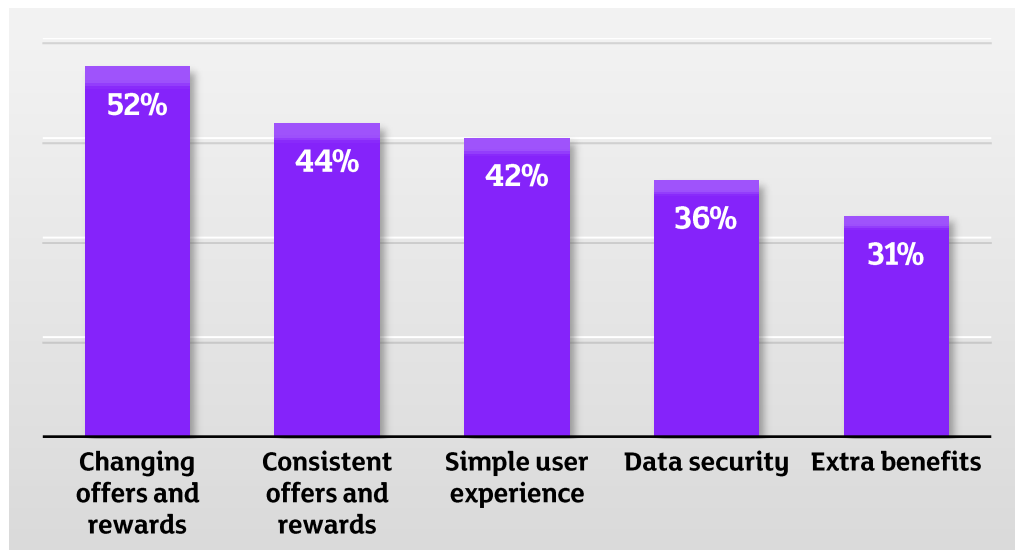
- **Personalised, rewarding and integrated** loyalty
- Joy and **connection beyond transactions**
- **World-leading** Nectar360 capabilities
- Strong **coalition** of partners
- **Always transparent** use of data

Loyalty schemes are increasingly popular with customers



N E C
T A R
3 6 0

What do consumers look for in a loyalty scheme?



Create value

Balance effort and reward

Make it easy

Remove friction and barriers to use

Recognise customers as individuals

Personalise offers

Make it fun

Create engaging, digital experiences

Source: YouGov "What the British want from loyalty programmes 3.0" published in 2022

We know where we need to focus to continue to deliver



N E C
T A R
3 6 0

Building engagement and driving greater loyalty



Your **nectar prices**
Personalised prices just for you.

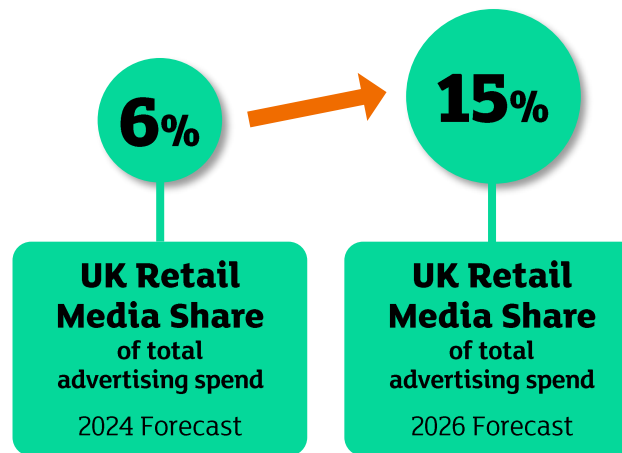
Digital Integration

Coalition

Payment

User Experience

Nectar360 is well positioned to be world leading in a growing Retail Media market

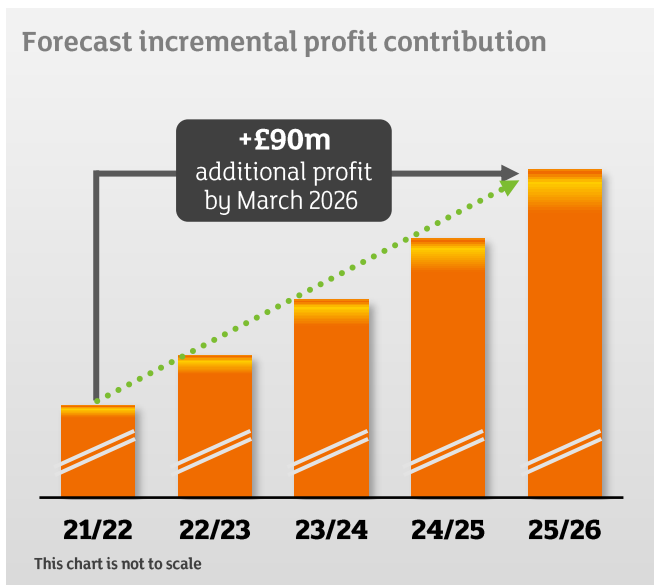


Delivering on these aspirations will drive greater growth in contribution

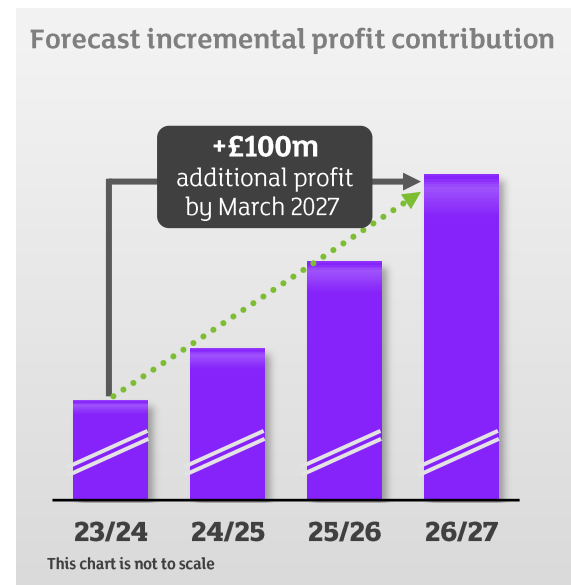


N E C
T A R
3 6 0

Previous guidance



Forward guidance



More Argos, more often

**Unleash and transform
Argos around the three
things that have always
made it brilliant**

– curated range, famously convenient
experience and great value – so more
customers buy more complete
baskets more often

More Argos, more often

Unleash and transform Argos around the three things that have always made it brilliant – curated range, famously convenient experience and great value – so more customers buy more complete baskets more often

- Famous for **convenience**
- Inspiring **choice**, always great **value**
- **Supercharged digital** capabilities
- **Accessible and relevant credit**, care and services
- **Next level** service, efficiency and stock flow

Argos transformation: the next phase

Clear opportunity

Half

of UK households
shop at Argos¹

3 times

per year

1-2 items

in their basket

Customer satisfaction ranking
versus General Merchandise market²

Value

2

Convenience

2

Ease

2

Consideration

3

Quality

6

Inspiration

7

1. Kantar Worldpanel. UK households vs ONS Total UK households 2022

2. YouGov BrandIndex - brand health metrics ranking. December 2023

More Argos, more often

**Famous for
convenience**

**Inspiring choice,
always great value**

**Supercharged
digital capabilities**

**Accessible and relevant credit,
care and services**

Next level service, efficiency and stock flow

Save and invest to win

Save £1 billion

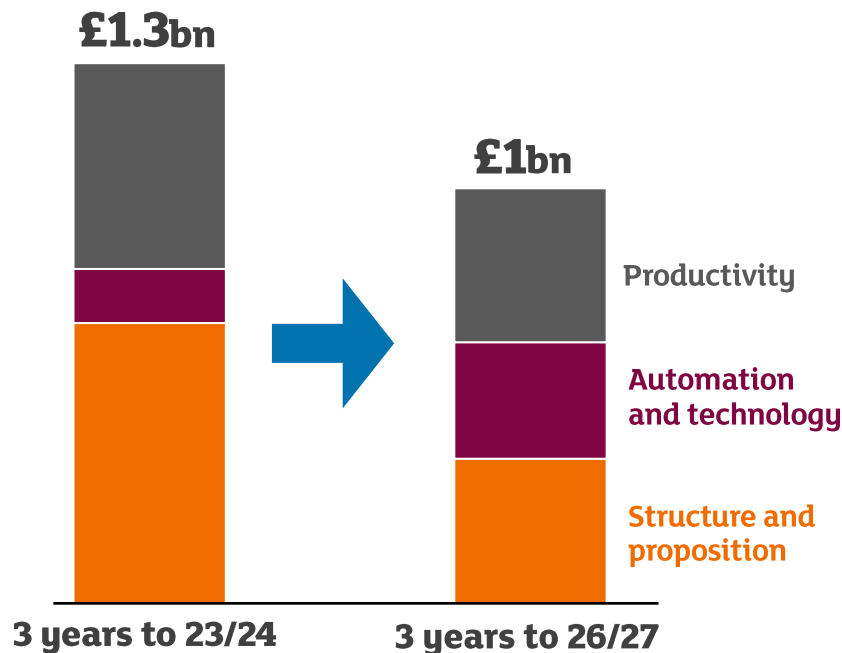
and invest in transforming our capabilities - taking another big leap forward in efficiency, productivity and customer focus, continuing to build a platform for growth

Save and invest to win

Save £1 billion and invest in transforming our capabilities – taking another big leap forward in efficiency, productivity and customer focus, continuing to build a platform for growth

- **£1 billion** of structural **cost reduction**
- **Well-invested technology platform** protecting, competing and **unlocking the next level**
- **Simplified, automated**, more process-led business
- **Right-sized organisation**, set up to win

Further structural opportunities, upside in automation and end-to-end productivity

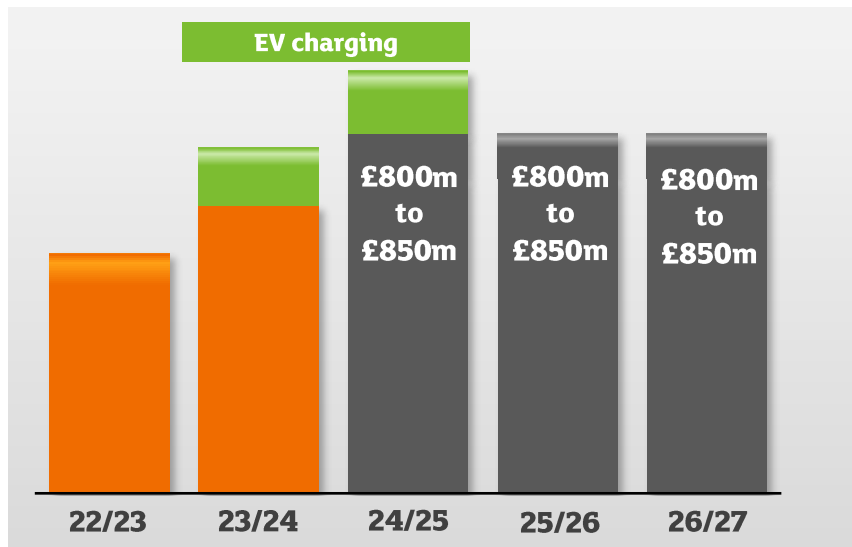


Technology capability will enable our next phase of growth



Focused capital investment to drive higher returns

Disciplined investment to drive growth



Building organisational capability to deliver for the future

- Clear **prioritisation**
- **Resource matched** to outcomes
- Creating **new capabilities**
- Leveraging **strategic partnerships**

Sainsbury's Bank



**FINANCIAL
SERVICES**

First choice for food

Attract many more people to choose Sainsbury's as the place they come to for good food

and play a leading role in creating a sustainable food system in the UK

Loyalty everyone loves

Build a world-leading loyalty platform

- more personalised, joyful, rewarding and transparent
- for everyone

More Argos, more often

Unleash and transform Argos around the three things that have always made it brilliant

- curated range, famously convenient experience and great value – so more customers buy more complete baskets more often

Save and invest to win

**Save
£1 billion**

and invest in transforming our capabilities - taking another big leap forward in efficiency, productivity and customer focus, continuing to build a platform for growth

Our financial plan

**Bláthnaid
Bergin**



Sainsbury's

Our Commitments

Food volume growth ahead of the market

Customer satisfaction higher FY27 vs FY24

Colleague engagement higher FY27 vs FY24

Deliver our **Plan for Better commitments**

Deliver profit leverage from sales growth

£1bn cost savings over three years to FY27

£1.6bn+ retail free cash flow over three years to FY27

Higher return on capital employed¹

Enhanced shareholder returns

- Progressive dividend
- £200m share buyback FY25

1. Return is defined as a 52 week rolling underlying profit before interest and tax. Capital employed is defined as group net assets excluding the pension surplus and less Retail net debt. The average is calculated on a 14 point basis

Our financial framework

01

Food volume growth



+

SG&A/sales reduction

+

Measured reinvestment in the
customer proposition

=

**Profit leverage
from sales growth**

02

Robust profitability

+

Disciplined capital investment

=

**Strong sustained cash flows
and
higher return on capital**

03

Strong sustained
cash flows

+

Focused capital allocation

=

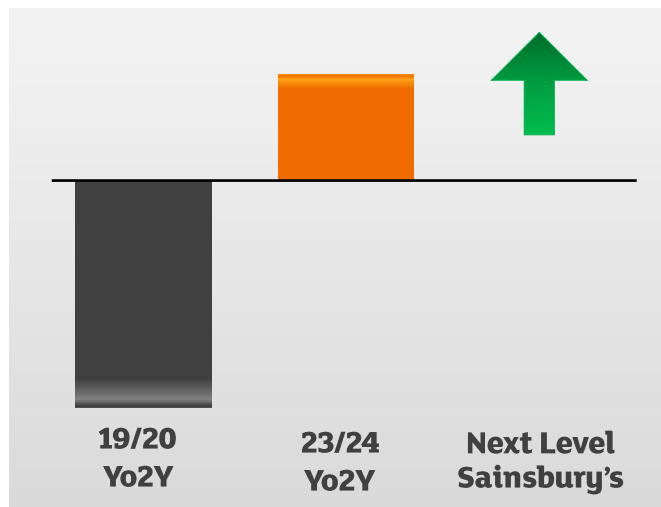
**Enhanced
shareholder returns**

Delivering profit leverage through Grocery volume growth

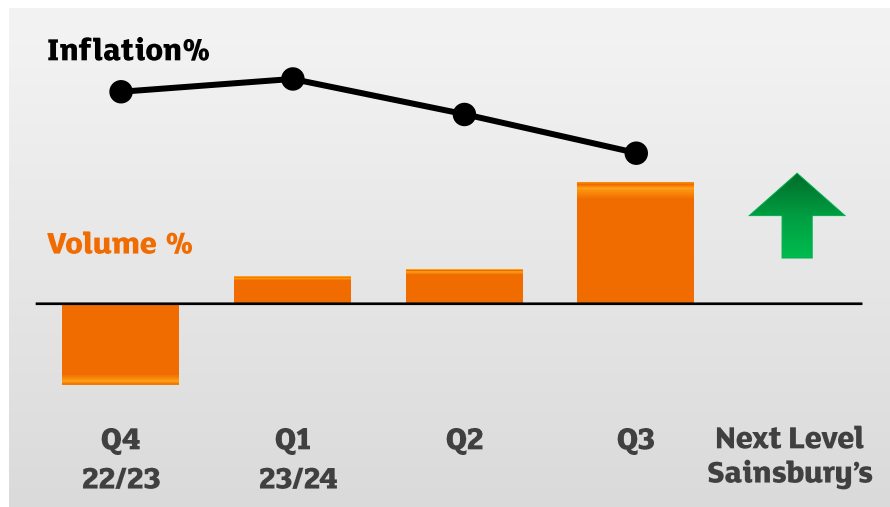
Sainsbury's



Sainsbury's Grocery volume growth relative to the market¹



Sainsbury's Grocery growth; inflation and volume

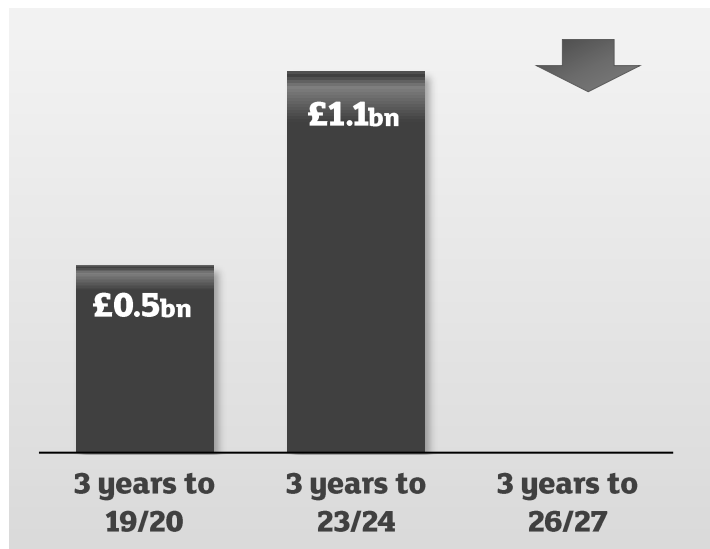


1. Nielsen panel data, Total FMCG excl. Kiosk and Tobacco. Volume growth differential to the market. 2023/24 on a 52-week basis to 6 January 2024

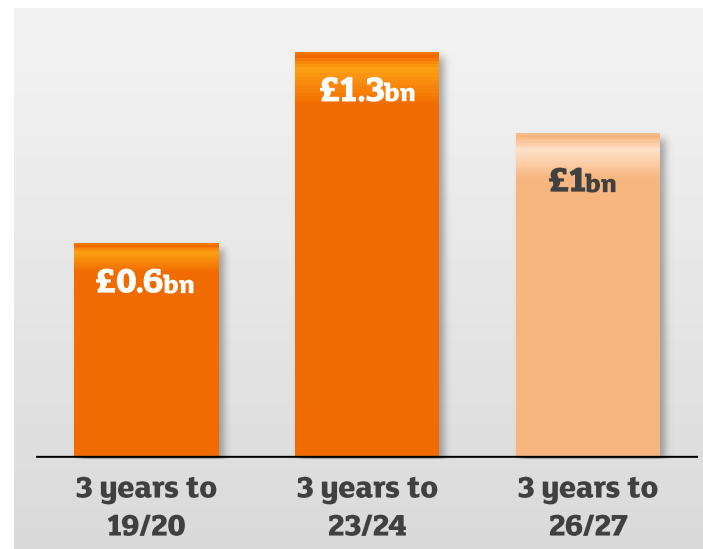
Driving operating leverage by lowering costs



Operating cost inflation



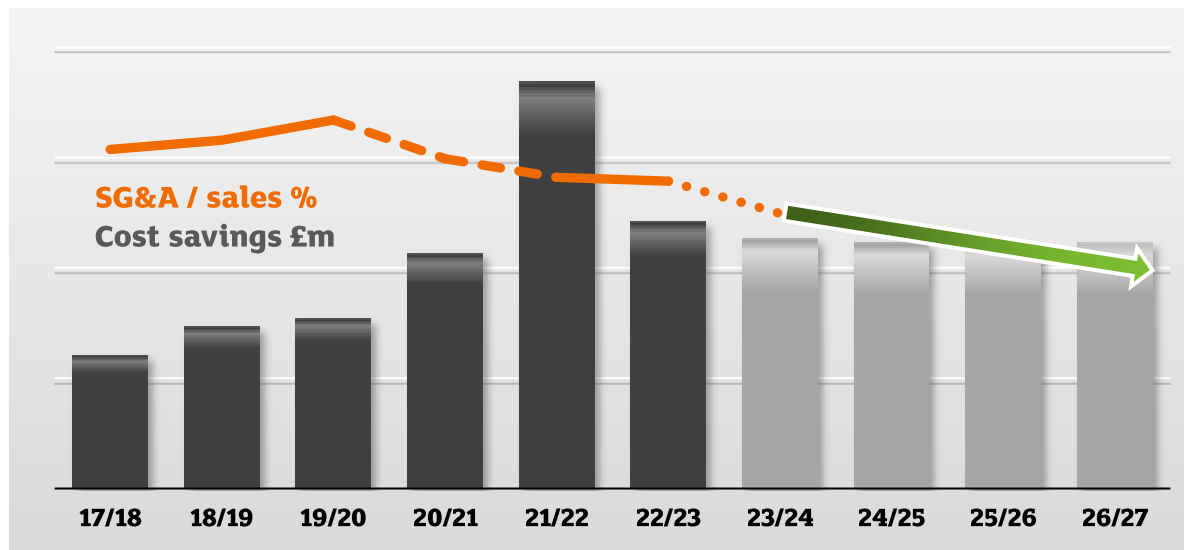
Operating cost savings



FY 20/21 excluded due to impact of Covid-19

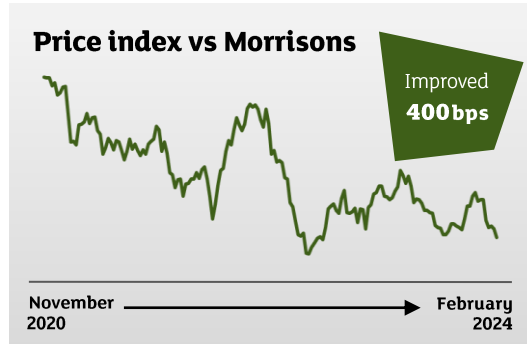
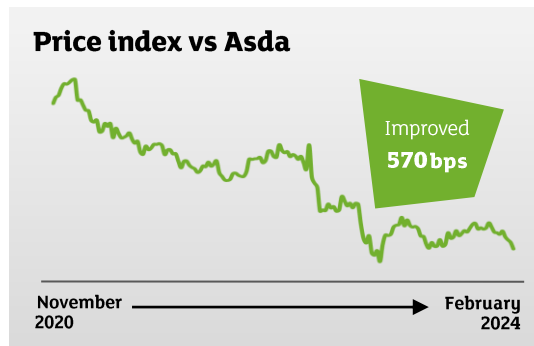
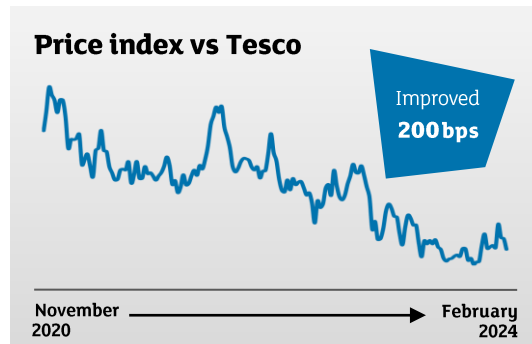
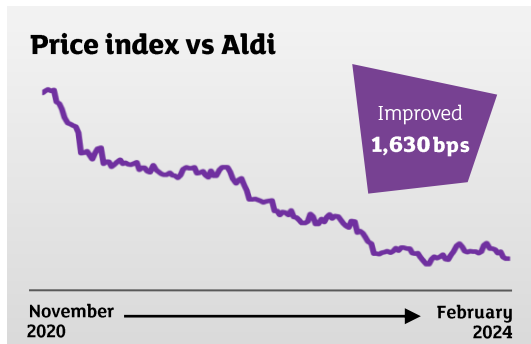
Driving operating leverage by lowering costs

Cost savings and SG&A to sales



We have reset our competitiveness

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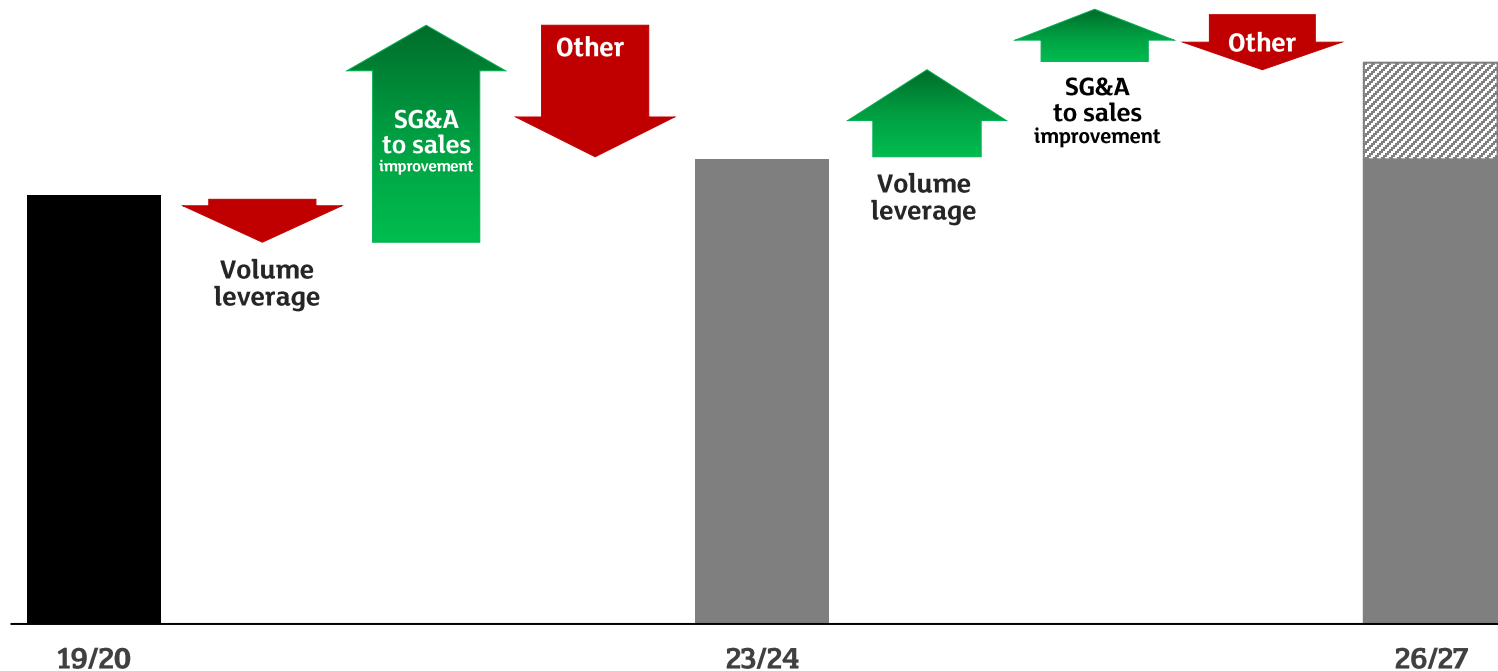


£780m

**Value
investment
over
three years**

Source: Value Reality. February 2024 vs November 2020; Acuity, internal modelling

Delivering operating profit leverage from sales growth

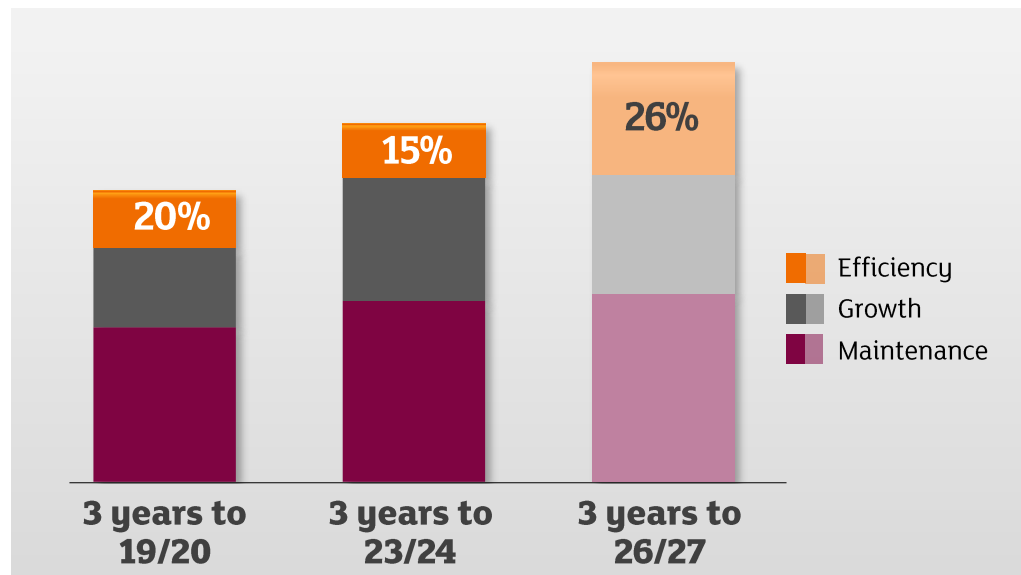


This chart is not to scale

Charts and arrows are illustrative and not to scale. 'Other' includes retail (inc. fuel) gross margin movements

Focused investing to sustain and enhance competitive advantage

Capital spend



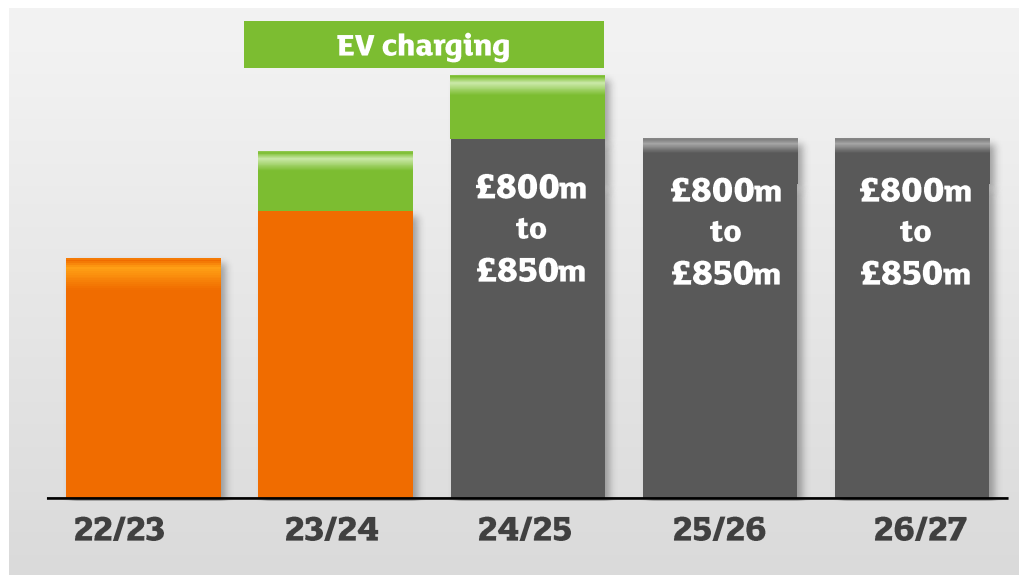
FY 20/21 excluded due to impact of Covid-19

Investment examples

- “More for more” food space rebalancing
- Supply chain and commercial platforms
- Integrated loyalty
- Physical and digital automation
- Nectar360 capabilities

Focused investing to sustain and enhance competitive advantage

Capital spend

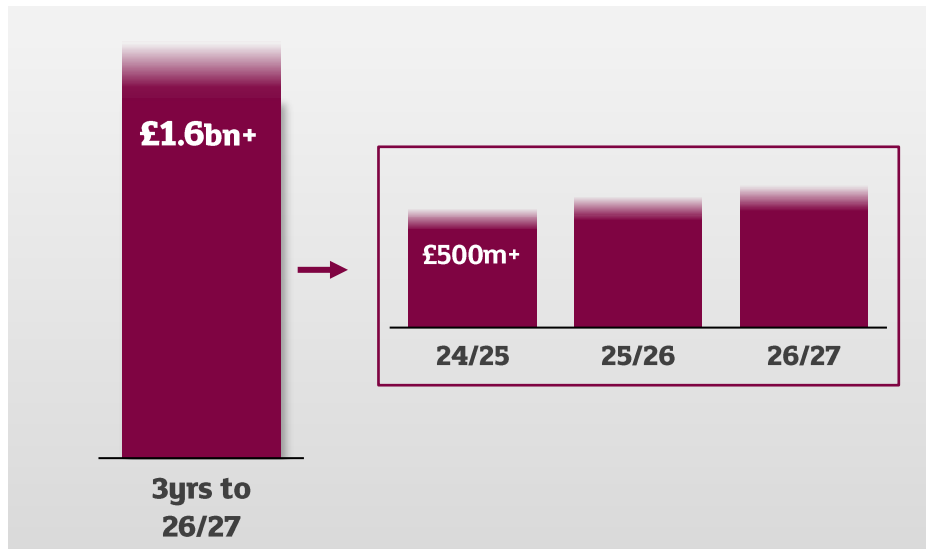


Strong sustained cash flows, higher returns

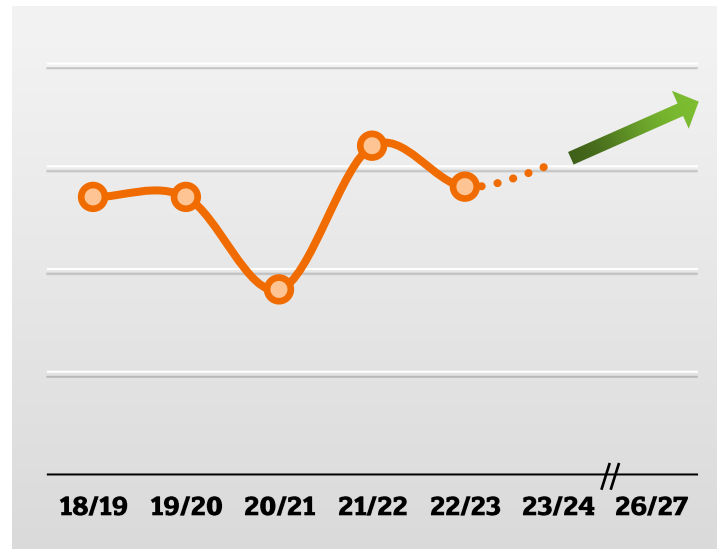
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Retail free cash flow



Return on capital employed %¹



1. Arrow is illustrative and not to scale

Capital allocation framework

1	Invest in the business to support our strategy	FY25-FY27: £2.6bn capex, retail free cash flow £1.6bn+
2	A solid investment grade balance sheet	Target leverage of 3.0x-2.4x net debt/EBITDA
3	Deliver strong dividends for shareholders	Progressive dividend commitment
4	Selectively invest in projects to grow or strengthen the business	Strategic opportunities such as lease buy-ins & EV charging
5	Return surplus cash to shareholders	Share buyback £200m FY25, to be reviewed annually

Our financial framework

01

Food volume growth



+

SG&A/sales reduction

+

Measured reinvestment in the
customer proposition

=

**Profit leverage
from sales growth**

02

Robust profitability

+

Disciplined capital investment

=

**Strong sustained cash flows
and
higher return on capital**

03

Strong sustained
cash flows

+

Focused capital allocation

=

**Enhanced
shareholder returns**

Conclusion

Simon Roberts



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Our Commitments

Food volume growth ahead of the market

Customer satisfaction higher FY27 vs FY24

Colleague engagement higher FY27 vs FY24

Deliver our **Plan for Better commitments**

Deliver profit leverage from sales growth

£1bn cost savings over three years to FY27

£1.6bn+ retail free cash flow over three years to FY27

Higher return on capital employed¹

Enhanced shareholder returns

- Progressive dividend
- £200m share buyback FY25

1. Return is defined as a 52 week rolling underlying profit before interest and tax. Capital employed is defined as group net assets excluding the pension surplus and less Retail net debt. The average is calculated on a 14 point basis

We make
good food joyful,
accessible
and **affordable**
for everyone,
every day

First choice
for food

Loyalty
everyone
loves

More Argos,
more often

Save and
invest
to win

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results referred to in these forward-looking statements. They appear in a number of places throughout this announcement and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. Unless otherwise required by applicable law, regulation or accounting standard, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

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