

**J Sainsbury plc**  
**Preliminary Results 2025/26**  
**23 April 2026**

## **Presentation**

**Simon Roberts**  
**Chief Executive Officer**

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Good morning and welcome to our 25/26 Preliminary Results Presentation. Thank you for joining us today. I'm going to start with an introduction before handing over to Bláthnaid who will cover the financials. I'll then share more detail on the progress we've made during the second year of our Next Level strategy and our key priorities as we look ahead.

Now, over the last five years you've heard me talk time and time again about our approach to making deliberate, balanced choices to support all of our stakeholders. I'm really pleased with the further strategic and operational progress we've made. Central to our strong momentum and consistent delivery is our relentless focus on delivering our winning combination of value, quality, availability and service for our customers.

We've made focused investments in keeping prices low on the items people buy most often, in strengthening our food offer with leading quality and innovation, in making more of our food range available in more locations and in delivering leading customer service and a big step on in availability. As a result of the investments and choices we've made, we have sustained our strong competitive position, again, growing market share and more and more customers are trusting us as their first choice for food.

At the same time, we have maximised the clear opportunity we have to invest ahead of others. We are refreshing our stores, investing in technology, AI and automation, improving digital experience with greater personalisation, committing to long-term supplier partnerships and building resilience and driving efficiency in our operations. All these are underpinned by the strength of our cost-saving programme. These investments reflect our long-term approach, strengthening our relationship with customers, colleagues, farmers and suppliers, building a business with the capabilities needed to win in this market both now and in the future.

As you know, customer satisfaction is the key measure that we look at each and every day to evaluate that we are making the right choices for our customers and our business. We continue to lead against all our full-choice competitors with strong improvement across key metrics and this is particularly notable in a year which has been characterised by continuing cost of living pressures and significant externally driven cost inflation.

This level of customer satisfaction truly demonstrates the hard work and commitment of our entire team in consistently delivering for our customers and I want to take a moment to thank all my colleagues for their hard work, dedication and care. Our team have done such a fantastic job this year as they've stepped up again to really deliver for our customers and support each other.

As more and more customers are choosing us each week for their big trolley shop, we are growing our loyal customer base with 1.2 million more primary customers than when we began our Food First plan five years ago. This is the key measure of our success and it's what's given us the confidence to invest in growing our food footprint, rebalancing space

towards fresh food in existing stores and opening new stores in key target locations to bring the best of our ever stronger proposition to more people in more places.

When we look at what this strong performance means for our position in the market, we have achieved our highest volume share in 10 years, having delivered food volume growth ahead of the market for the sixth consecutive year. Now this data is consistent with how we've presented food volume market share over recent years.

However, one point which is important to call out here, when we look across the different volume and market measures available to us, we know that this view understates the actual volume share progress we've made over the last year. By any other measure, including our own internal volume growth numbers, we grew market share just as much this year as we did last year. As you know, volume growth versus the market is a key measure for us and hence this is something we're discussing with Worldpanel.

To give you some further sense of this, the orange bars here are our actual grocery volume growth through the four quarters of last year and the purple line is Worldpanel's measure of the rest of the industry's volume growth. This shows our volume out performance extending over the course of the year and perhaps most importantly, our volume growth holding up strongly as the industry tailed off.

What really distinguishes our performance in the second half of the year is that as the volume performance of the industry weakened, our increase in big trolley customers enabled us to deliver growth in average items per basket, while it remained in decline for almost all of our competitors.

Back in November 2020, when we set out our priority to put food back at the heart of Sainsbury's and to start winning in food, I said to you that at its very core, this would mean better value and range at the centre of the plate. Meat, fish, poultry and produce, these everyday essential items that matter most to our customers are when the consistency of our investment in great value has truly resonated. Winning the centre of the plate has enabled us to win the whole shop with many more customers.

We are known for our standout reputation in fresh food and for our leading quality and innovation. By giving customers the confidence that they can also trust us for reliable value, we are outperforming the strongest growing part of the market across fresh food categories. With our fresh food volume performance almost five times ahead of the rest of the market and we achieved fresh food sales growth at 8% in the year.

Now, as we look ahead, we believe our strength in fresh food is going to continue to be a key differentiator. We are passionate about supporting our customers in adopting a sustainable, balanced diet in line with the Eatwell Guide and we already outperform all of our significant competitors when it comes to healthy sales by volume. So as customers increasingly look for healthier, less processed options and are seeking higher fibre foods that can also help diversify their protein intake, we believe we are well placed to deliver. We are truly committed to help everyone enjoy good food, which is easy, affordable and joyful. Helping more customers to eat well, benefiting not just their health but our planet too.

Our approach in this space is evolving, and our personalisation capabilities are helping us to go further to really connect and support customers with making healthier choices. We are excited by the bold plans we're building, and we'll talk more about this in the coming months. We see this as one of the ways in which we are doubling down on the things that make Sainsbury's unique.

In particular our heritage and leading quality in fresh food, our purpose-led approach to decision making, our Food First, People First mindset and the strength of our long-term relationships and partnership with farmers and suppliers. Delivering good food and delivering well as this is what our customers expect of us and have always expected of us. So, coming into the third year of our Next Level Sainsbury's strategy we know we want to go further and faster to stand out.

One element of this is how we will utilise AI and data capabilities to help make us a better even stronger retailer. I've said before that retailers that have the scale and the ability to invest in technology will be the ones that pull further ahead and we see smart use of AI as a key part of competitive advantage. We know where the key levers are in our business that help us to improve our customer proposition particularly through enhanced personalisation and we will drive greater commercial value through improved productivity and reduced complexity. Clearly these are the areas where we will focus the majority of our AI investment.

Right now, the focus of our teams is on how we will use AI to its full potential. Prioritising value streams that help shape our next phase of growth and innovation and underpinning this ambition with the creation of our AI Centre of Excellence, providing the governance, skills and confidence in supporting us to scale safely and unlock greater value. When we look across our business significant AI integration is already underway with more than 200 live use cases ranging from those delivering measurable value today to others which are still in the early stages such as our future facing work into agentic commerce and connected stores.

We've set out here some tangible examples for you. Intelligent re-scanning algorithms in SmartShop are enabling us to target high-risk baskets for re-scan. This is helping us to reduce loss but also optimise inventory accuracy. The introduction of our new optimised price reductions tool centralises the decision-making on the price of the expiry date markdowns. Simplifying the process in-store and saving colleague time whilst also reducing waste. Through our proprietary decisioning engine which sits behind our personalised Your Nectar Prices and points offers we are working towards 500 million personalised offers each week.

The exciting thing here is that we're able to adapt and optimise our decisions based on changes in customer behaviour. This is helping us to strengthen loyalty, drive repeat visits and further grow our primary customer base.

Finally, Nectar360 Pollen where we're using AI to address a long-term challenge for marketers using multi-channel campaigns. The power of pollen is that our proprietary multi-touch attribution tool enables us to track the customer journey across all different channels and touchpoints to measure true incremental sales and then compare against expected benchmarks so that clients can optimise activity to maximise their results.

So, turning to our commitments. Two years into our three-year Next Level Sainsbury's plan, where are we? Well, we're in a strong place on a number of the key inputs. Food volume growth has been ahead of the market now for six years in a row and colleague engagement has become even stronger despite significant change in the business. You'll see here we've marked ourselves amber on customer satisfaction. The earlier chart on this showed our performance in a particularly strong place versus competitors but we know we can go even further. This is a real focus across the entire business this year ensuring our customer experience goes even further in setting us apart.

We are pleased to have made good year on year progress across many of our Plan for Better metrics. At the same time, we know there is still work to do particularly in areas such

as deforestation and conversion free sourcing, plastic reduction and supply chain emissions. We remain focused on our net zero ambitions, are continuing to accelerate action to reduce food waste and are enhancing supply chain resilience and responsible sourcing across climate, nature, human rights and animal welfare.

Our momentum on cost savings and cash flow continue to be really strong. We know profit leverage took a step back this year after a very significant step up in externally driven cost inflation specifically from national insurance and EPR and consequently higher grocery inflation. We invested to sustain the strength of our competitive position making investments in value, service and availability and each delivered strong returns.

Last but not least, ROCE, where our capital discipline has been strong and returns are higher than at the start of the plan but have been held back by lower profit growth. We are aiming higher with strong capital discipline and with capital efficient investment choices.

So, coming back to our principle of making balanced choices deliver for all of our stakeholders. We've invested around £1.3 billion in value in the last five years. We've invested around £800 million into wages for our hourly pay colleagues in the same period and colleague pay is now 40% higher than five years ago. We're consistently investing to strengthen the business to deliver now and in the future, and yet in the same five years we've also returned around £2.2 billion of cash to shareholders.

We have a really strong playbook with a highly experienced and capable team. So, when it comes to making tough decisions, being ambitious and dealing with the challenges that are thrown at us, we have a good track record of emerging stronger.

I think this will stand us in good stead in the current environment where the conflict in the Middle East will bring new challenges for us, for our farmers and suppliers and for our colleagues and our customers. We will maintain the strength of our competitive position, we will outperform the market again and we will continue to strengthen our business for the long term.

I'm going to hand over to Bláthnaid now to cover the financials.

## **Bláthnaid Bergin** **Chief Financial Officer**

Good morning and thank you, Simon. I will now cover the financial highlights for the 52 weeks to 28 February 2026. Starting first with a reminder of our financial framework. This lays out the factors that underpin our commitments to deliver profit leverage from sales growth, strong cash flows, higher return on capital employed and enhanced shareholder returns.

Two years into the Next Level strategy we are pleased with our progress. We have delivered consistently strong food volume growth ahead of the market, a resilient profit outcome, strong cash flow generation and we have returned more than £1.3 billion of cash to shareholders through dividends and buybacks.

Turning to the results. Let's start with our sales performance. Sales in Sainsbury's grew 4.9% in the year with consistently strong grocery volume growth and market share gains throughout the year. General merchandise sales were down year on year, largely as planned, driven by our strategic choice to allocate more space to food. This was offset by a strong performance in clothing, driven by our improved ranges and a significant uplift in availability, contributing to strong volume growth of nearly 6% year on year.

Argos sales grew by 0.7%, up 2.3% in the first half, helped by good summer weather against a weak seasonal comparative, but down year on year in the second half, largely reflecting the impact of subdued customer spending over Black Friday and Christmas. Together, this delivered total retail sales growth of 4.3%, excluding fuel and 2.8% growth, including fuel.

Turning now to profits. Retail underlying operation profit decreased by 1.1% year on year to £1.025 billion. Sainsbury's profits were down slightly year on year, reflecting significantly higher employment and regulatory costs in a competitive market and investment in our competitive position through value, customer service and quality. This was largely offset by the benefit of consistent volume outperformance and continued cost-saving delivery.

Argos operating profit was broadly flat year on year. Unpacking the full year Argos profit performance, the business benefited from higher volumes, but this was partially offset by the higher costs of driving online traffic. It also delivered higher operating cost savings but was impacted by elevated wage inflation. First half profitability improved significantly year on year, reflecting strong seasonal volume growth, while profits were down in the second half, impacted by lower average selling price.

Now to financial services. During the year we successfully completed the sale and migration of our core banking products. We completed the sale of loans, credit cards and savings to NatWest and transferred the Argos financial services book to NewDay. The results for these legacy operations are now included within non-underlying discontinued operations. The new proposition with NewDay offers customers a simpler, more flexible way to spread the cost of purchases and replaces the existing store card. We additionally signed agreements on our home and car insurance back with Allianz and completed deals on ATMs with NoteMachine and on travel money with Fexco.

In April 2026, we further announced a new partnership with NatWest who will provide white label loans, savings products and a new NatWest Nectar credit card. To complete the final stage of the bank exit we plan to surrender the banking licence by July 2026. We returned £300 million of net bank proceeds to shareholders with a further £100 million to be returned through incremental share buybacks this year.

Following the successful exit from core banking we'll be creating a simpler, more focused financial services model fully integrated into our retail business. As a result, we will no longer report ongoing financial services as a separate segment. We will combine these results within our retail numbers for future reporting.

The ongoing financial services contribution to profits will be generated from Argos Care, commission income from insurance, travel money, ATMs and white label banking products alongside income from the NewDay Argos Pay partnership.

Turning to underlying profit before tax. Total underlying profit before tax grew by 1.3%. This was predominantly driven by higher financial services profitability against last year's restated loss while underlying earnings per share increased by 3.2%, reflecting a reduced share count as a consequence of share buybacks.

Following a review of our deferred tax liabilities, we have restated downwards last year's underlying tax rate by around a percentage point. This is also reflected in this year's underlying tax rate around 29%, lower than our previous guidance of around 30%. We expect a similar rate of around 29% in the year ahead.

The next slide lays out items excluded from underlying results. We incurred £128 million of non-underlying costs in the year, with the largest item relating to retail restructuring costs of £74 million. The biggest element of these costs related to redundancy costs associated with

changes in our central management structures as well as costs relating to the closure of our food counters and conversion of cafes and bakeries.

£29 million in discontinued operations relates to the exit of our core banking services. We incurred non-underlying retail cash costs of £80 million in the year and expect to incur costs of around £50 million this year. We continue to expect to incur cash costs relating to our Next Level strategy of around £150 million over the three years of the programme with £91 million incurred to date.

Now turning to our cash flow metrics. Retail free cash flow of £574 million was up year on year. This reflected higher EBITDA, strong working capital management and reduced contributions to the pension scheme. The stronger working capital inflow year on year was primarily the result of a successful project on payment terms. Net debt excluding leases reduced by £61 million year on year and net debt including leases reduced by £15 million, both slightly flattered by the £100 million of bank proceeds which will be returned to shareholders in the first half of the current financial year.

This table shows the key elements of the retail cash flow and movements in net debt this year and last. I've already covered the key free cash flow movements including the lower pension cash contributions in the year. The latest tri-annual valuation of the pension scheme based on September 2024 values was completed in March 2026 and continued to show a surplus. Cash contributions into our pension scheme are expected to be £27 million in financial year 2027, so broadly unchanged.

Beneath free cash flow you can see £400 million of financial services inflows and the cash distributions through the impact of dividends and buybacks. We have generated £1.1 billion of retail free cash flow over the last two years, and we are committed to continuing to deliver retail free cash flow of at least £500 million in financial year 2027 in line with our Next Level strategy commitment.

Looking at capital expenditure over the last two years, CapEx has been focused on improving our store state, enhancing our digital capabilities and strengthening loss prevention and security. We are investing for future growth while also strengthening our foundations and building competitive advantage. Last year capital expenditure increased by £18 million reflecting ongoing property and technology investment as well as higher spend on loss prevention and security enhancements.

We've also invested in conversion of some of the acquired Homebase and Co-op stores with five new store openings during the year and the remainder to be opened during the current financial year.

Looking ahead, you can see our planned spend on efficiency stepping up underpinning our confidence in the delivery of our cost saving plan and further building sustained competitive advantage against competitors who are more cash constrained. Our guidance remains unchanged. We expect to incur capital expenditure between £800 and £850 million in this financial year.

Here we lay out our balance sheet metrics net debt to EBITDA has remained flat year on year at 2.6 times broadly in the middle of our target range of 2.4 to three times. Return on capital employed declined by 10 basis points year on year primarily driven by lower underlying group operating profit.

On to shareholder returns. Looking at the right hand side of the chart, you can see that during the year from free cash flow of £574 million we paid ordinary dividends of £316 million as well as completing a core share buyback of £200 million. From our net banking proceeds

we have returned a further £300 million through a £250 million special dividend and a £50 million incremental share buyback hence total cash returns of £816 million.

Another £100 million of net bank proceeds will be returned in this financial year alongside a core buyback of £200 million. In line with our policy to pay a progressive dividend our proposed full year dividend per share is 13.7p, a payout rate ratio of 61%. This is a 1% increase year on year. This reflects our intention to slowly reduce our underlying dividend payout ratio over time closer to around 50%.

In summary, we are pleased with our performance in year two of Next Level strategy, delivering continued grocery volume growth, resilient profits, strong free cash flow generation and enhanced shareholder returns.

Looking forward in the year ahead, we will continue to maintain our strong competitive position and generate free cash flow of at least £500 million and return £300 million to shareholders through share buybacks. Our guidance range for operating profit reflects the uncertainty in terms of the impact of the conflict in the Middle East on both our customers and our business.

Thank you for your time. I'll now hand back to Simon.

**Simon Roberts**  
**Chief Executive Officer**

Thanks, Bláthnaid. Now our priority for our food business is a simple one, to become the first choice for food for more customers. Through the strength of our winning combination of value, quality, service and availability, to bring the best of that offer to more people in more locations, and by maximising the strength and the reach of the Sainsbury's brand. We've had another year where we've really delivered on this, with more customers choosing us for their big grocery shop, trusting us across the full shop to deliver value on the items they use every day.

We've invested more in Aldi Price Match this year in supermarkets and convenience, and at the same time, customers are choosing to trade up to Taste the Difference with us more often, for special occasions, instead of having a meal out, or just because they're making choices on the items where quality matters most to them. These are not distinct customers or distinct shopping missions. In fact, almost 70% of customers shopping with us had both Aldi Price Match and Taste the Difference items together in their trolley at least once during the year.

It's the consistency of our delivery on value that customers really respond to, where they know they can trust us week in, week out. This shows our price position at the end of the 25/26 financial year versus a year ago. Across the biggest, widest comparison we can make, it's unchanged versus our two biggest competitors, and we've made considerable headway against some others.

As a reminder, we're offering even more value to more customers through Your Nectar Prices, our personalised offers. This is not captured in these indices. If it was, it would further strengthen our value position against every competitor. It's where we've invested that really makes a difference.

Since the start of Food First back in 2020, we've focused our investment on the fresh fruit, veg, meat, fish and poultry items that customers buy most often, and where they trust Sainsbury's to deliver consistently great quality. You can see it's here that we've made further progress versus all our competitors, particularly against the limited choice

competitors in the last year. This has been supported by a 17% increase in the number of centre of plate items included in our Aldi Price Match.

Now there's been a lot going on in pricing in the market this year. With elevated inflation as the industry and our suppliers pass through higher costs, that's reflected in some of the movement you can see here through the year, and in the fact that value-for-money perceptions on average for our competitors ended the year in a weaker place than they started.

While it improved for us, with particularly strong progress in the second half of the year and as I highlighted earlier, that's where we've made the strongest progress on volume market share gains. Taste the Difference has gone from strength to strength again this year, and it's the fastest growing premium own-label brand in the market. More customers are buying Taste the Difference more often. We've now passed through £2 billion of sales, and we have a clear ambition to go further and faster as we look ahead at our continued opportunity here.

Now fresh food is the heart of our business. Our product development teams are doing the most brilliant job with leading innovation in the market. Our brand and our customer base gives us a unique opportunity to extend the boundaries of our ranges, especially in Taste the Difference through innovation, bringing new and exciting products to more customers. We introduced over 1,200 new own-brand products in the past year, over half of which were in Taste the Difference, including our extension into restaurant-quality products with the Discovery range.

We have more than 600 new products that we're excited to bring to our customers in the first half of this year, with a real focus on delicious summer ranges as we look forward to hopefully a big summer of sport. Now, we believe that food resilience matters more now than ever, and that's why our long-term partnerships with farmers and suppliers are so vital. We are leading the way across the industry in making long-term commitments to UK farming and agriculture, protecting good food for today and generations to come.

In March, we announced that we're further expanding our long-term partnership model to create one of the UK's most extensive networks of multi-year farming agreements. By early 2027, more than 2,500 farms, all 100% British and Irish, will be backed by long-term contracts of between five and 10 years. That means that 60% of our own-brand produce, meat, fish, dairy and poultry products will be in long-term agreements by the end of 2026.

These long-term agreements are linked with cost of production commitments and give farmers the capacity to invest with confidence in the future of their businesses, and particularly at times like this, where farmers face huge challenges on the cost of fuel, fertiliser and feed.

This approach strengthens the supply of good food, is raising animal welfare standards and helps tackle climate, nature and labour challenges. We're bringing more of the best of Sainsbury's food offer to more people in more locations, investing in a very targeted way to open new supermarkets and convenience stores, and we're really pleased with the performance of our new additions.

Through our More for More investment in existing stores to make more of our food offer available through space reallocation, with a particular focus on fresh food. On average, we're adding around 1,000 food items to the range in these stores. Invested stores are performing ahead of the rest of our store estate, delivering 2% food volume growth outperformance in the second half, and improving total trading intensity by more than 5%. We've relaunched 70 stores to date, and we'll be investing in another 30 in the year ahead, including some of our largest supermarkets.

But it's not just about supermarkets, we're investing across all the ways that customers want to shop with us, with the strength of our value commitment and improved fresh food offer in convenience stores, driving strong market share performance in convenience.

But most obviously in Online Grocery with sales up 13% year-on-year. This reflects both strong growth in core big basket Online shops, up 7%, but also 70% growth in our OnDemand food business, coming primarily through third party platforms. This now accounts for sales of more than £700 million.

All of these sales are fulfilled through our supermarkets and convenience stores. If we look at the growth rate differently on this chart, as the growth of sales being fulfilled through our stores, you can see we're providing more choice for customers and driving more sales through our existing assets.

Now I'm really pleased with the improvement in performance in our Tu Clothing business. As a reminder, this is a £1 billion sales business, the fifth biggest clothing business in the UK by volume. Under a new management team, we're delivering better product ranges, better execution, and better availability.

We grew sales in every Quarter, even in the seasonally weak Third Quarter, and we are consistently gaining market share. There's plenty more to come with some great product in store and online, and some key operational changes in the year ahead that will make a step change in the consistency of our availability.

Turning next to Loyalty everyone loves. Nectar has two key elements. On the left-hand side, our customer facing Nectar loyalty scheme. This is how we reward customers and deliver value to them through points and cash discounts, increasingly through personalised prices and bonus points offers. On the right-hand side is our Nectar360 Retail Media business. We help our suppliers talk directly to around 25 million customers a week who visit our stores and our websites.

Now we are setting the standard not only in the UK but globally in how we do this, delivering great returns and great visibility of those returns, and we're making it easier to run sophisticated campaigns. In doing so, we're making Nectar360 more and more of a first choice for clients choosing who they will use to direct their digital media investments to.

Customers love Nectar. They are engaging more and getting more value than ever, saving almost 20% on a typical weekly big trolley shop through Nectar Prices, and now increasingly benefiting from Your Nectar Prices personalised value selected just for them on a weekly basis.

We rolled out Your Nectar Prices to main bank tills this year, having previously only been available Online and through SmartShop. It's driven a further step up in Nectar Participation and digital engagement with the Nectar App has reached record highs, a really valuable way that we connect with customers.

This is great for customers, but it is also key to our ability to power Nectar360. We have had another year of good profit progress despite some deliberate choices to step away from some activity as a consequence of HFSS changes. We're still ahead of our plan to deliver at least £100 million of incremental profit by the end of this year.

We are already a key strategic partner for more than 900 brands and client agencies, and we are increasingly becoming a first choice partner given the scale of first-party data, our omnichannel reach, closed-loop measurement capabilities, and leading client service.

This is really important, as brands increasingly want to work with fewer, higher-quality networks. The launch of Nectar360 Pollen in the Autumn is really key to this. It's the UK's most advanced unified Retail Media platform. It's an unrivalled easy-to-use platform that helps clients deliver omnichannel advertising in-store, onsite, and offsite.

As we ramp this up, we're getting great feedback on how this is helping marketers better track their returns and make smarter real-time decisions. For example, the Retail Media team at Unilever have called Pollen transformative for marketers.

Alongside this, our connected digital screen network now consists of almost 3,000 screens across supermarkets and convenience stores, with plans to install a further 3,000 screens during the next year. We continue to bring more value to Nectar customers with more opportunities to earn and spend points across a bigger network of great brands

Turning next to More Argos, more often which is about strengthening the Argos business, investing in the product offer and the digital proposition to make it a business that customers visit more frequently and buying more when they do visit. In another tough year for general merchandise retailers with subdued spend and intense competition, we've made some good progress on this, with higher customer numbers and higher items per basket.

As a result, we grew volume in the year. Not only in the First Quarter when we had the benefit of good weather, but also in the second half. But as you can see on the left-hand chart, this was offset by lower average ASP through most of the year, reflecting both weak markets in bigger ticket items but also intense competition putting pressure on prices.

Focusing back on the progress we are making on the proposition, we're improving choice through adding more products directly fulfilled by suppliers, and we will take a big leap forward on this in the year ahead with the launch of a marketplace proposition.

The investment we are making in our App key to consideration and building stronger relationships with our customers, is really paying off, with App visits up 24% in the year. We've made some big moves too across our added value services, with more choice and flexibility for customers on ways to pay through the launch of Argos Pay with NewDay, and meaningful improvements on our pre-order and trade in services.

As you would expect, we're continuing to balance this with a real focus on cost across our retail and logistics operations in particular. This will remain a key focus of our dedicated Argos management team, established to help accelerate the pace of change and drive further cost reduction, which will support investments in Argos-specific infrastructure and technology platforms.

Now, Save and invest to win. Well, the strength of our cost saving programme is a key competitive advantage. We set out our target to save £1 billion in costs two years ago, building on the significant savings we had made in the prior three years, investing in technology and infrastructure to improve productivity and making meaningful structural reductions to our cost base.

In a year when we were faced with significant cost pressures, we relied on well-developed programmes to deliver savings rather than just trying to find new ways to cut costs. This really showed through in the consistency of our execution and customer experience this year, particularly at peak, when compared to the market, we again outperformed.

We delivered another £330 million of savings last year, and we're well on track to deliver our £1 billion target. I've already covered a number of the areas across technology, and Argos in

particular, where we've delivered meaningful cost savings this year. There is still plenty more to come across logistics and distribution, and in loss prevention in particular.

After a positive year of progress delivering our Next Level plan, we're in a strong position. We are trading well, reflecting the choices we've made to deliver for customers, whilst continuing to invest in the long-term strength of our business.

We don't know how long the conflict in the Middle East will last, and there is a very wide range of potential impacts on supply chains, costs, and ultimately, customers, but we are well placed to navigate the year ahead. I am confident that through doing the right thing for our customers, our colleagues, and our suppliers and farmers, we will continue to outperform the grocery market, strengthen our business, and deliver long-term value creation.

Thank you for your time. Bláthnaid and I will now take your questions.

## Question and Answer Session

### **Operator**

Hello, and welcome to the Sainsbury's 2025/26 Preliminary Results Announcement Analyst Q&A call. On the call this morning is Simon Roberts, Chief Executive and Bláthnaid Bergin, Chief Financial Officer.

We will now go to Q&A. If you would like to ask a question, please use the Raise Hand feature at the bottom of your screen. Alternatively, if you've dialled in, please press star nine on your handset now.

We will pause for a moment to allow questioners to enter the queue. The first question is from Rob Joyce at Exane BNP Paribas. Please unmute yourself and begin with your question.

### **Simon Roberts**

Hello, Rob. Good morning.

### **Bláthnaid Bergin**

Morning, Rob.

### **Rob Joyce, Exane BNP Paribas**

Hey, good morning. Thanks for taking the questions. The first one, just looking at the guidance and how we think about that. I guess I understand FY26 was impacted by Asda, but if I go back to FY25, you were guiding to retail profits up 5% to 10%. Now the top end of the range, which presumably reflects minimal impact potentially from the Middle East, is only up 3% on retail profit if we exclude the financial services. Just wondering what's changed, and is that 3% a number we should think of as a more go forward number?

Second one is, just looking at Argos just within the guide, what are we thinking about Argos for next year? It's kind of flat profits in FY26. Are we thinking similar for FY27?

The final one is, I know you're putting it in with the broader retail business now, but financial services, I think we were talking about £40 million contribution from that in FY28 versus £0 FY26. Just wondering if that's still the case. Thank you.

## Simon Roberts

Rob, thank you. Okay, so why don't I take the first questions and then Bláthnaid on FS. Rob, look, I think - I mean, the first point I would make is when we set out our plan, you'll remember we set out some really clear focussed commitments on what we're going to do with the business in terms of growing customers, growing market share, and doing that in a way where we also delivered a stronger financial performance.

Look, I think the first point to make is we're really pleased with the outcome we've achieved in the year just gone. We set out very clear position to sustain our competitive position, given as you say that competition was intensified last year, we've come through the year. We set guidance around £1 billion at the start of the year, we've come in clearly towards the upper end of that at £1.025 billion with a lot of momentum into this year. I think that's an important point to make.

We're taking share, we're growing the customer base. Our cost position is strong. We're on track for the £1 billion cost saving over the three years. The plan we set out is the plan that we absolutely committed to deliver, and I think within that, clearly we've had some big cost headwinds this year.

This the first year where the size of our cost savings at £330 million actually didn't reach the level of cost inflation given NI and given EPR. That's just two real cost headwinds we've faced in the year.

As we look to the year ahead, how do we see things? Look, first of all, I think the first point to make is based on what we see today, and of course there's a lot of uncertainty out there, we expect to deliver retail profit growth in the year. We've set a range clearly £975 million, £1,075 million, but we expect to deliver retail profit growth.

If I can just break about what that exactly means, £1,025 million last year plus obviously the £20 million consensus for FS. The base we're starting from, we think based on what we can see today is £1,045 million.

There's clearly a lot of unknowns out there, and that's the reason we've given ourselves the flexibility to be able to respond to what comes and to make the balanced choices. As you say, at the top end of our range, we'll grow 5% year-on-year.

Obviously, we've got FS, around £20 million. Obviously as the year unfolds, we'll see how we do, but I wouldn't want to underplay just the strength of the momentum in the grocery business we're bringing into this year, the focus of our plan, the strength of our cost saving. We're well set to navigate what's coming.

In terms of as we look forward over this year on Argos, clearly, we've been very focused on delivering our More Argos, More Often plan. Now a dedicated leadership team in place. That's making a real difference. We've got a team of people now 100% focused on delivering the Argos transformation. We've seen volume growth against the market, we're seeing our cost plans accelerate here.

In answer to your question, we're expecting broadly flat delivery in Argos year-on-year because our most important focus is securing the strongest and most successful future for Argo. So flat assumption in Argos, which therefore to your question means based on what we can see today, we'll deliver retail profit growth, and obviously the food business will continue to step forward year-on-year. Bláthnaid.

## **Bláthnaid Bergin**

Great. For financial services, we won't be reporting financial services profits as a separate segment in the future, and the reason for that is we'll be handing back the banking licence over summer. That's ahead of schedule, ahead of where we expect it to be at this stage in the program, so delighted with the progress there.

We guided to £40 million incremental profit by financial year 2028. We're well on, we're building that income stream. We're pretty comfortable with where consensus is at the moment, contribution of around £20 million this year, grown to £40 million next year, and that will be embedded in the retail operating profit going forward.

The guidance today includes that financial services income.

## **Simon Roberts**

Thanks Rob.

## **Rob Joyce, Exane BNP Paribas**

Thank you.

## **Operator**

The next question is from Manjari Dhar at RBC. Please unmute yourself and begin with your question.

## **Simon Roberts**

Manjari, good morning.

## **Manjari Dhar, RBC**

Morning Simon. Morning Bláthnaid. Thank you for taking my questions. I also had three, if I may. I guess starting with the food business, I just wondered if you could give us some colour on the disruption that we expect to see from the space work that you're doing this year.

Appreciate, it's fewer stores this year, but just how should we think about the phasing of that for fiscal '27?

Then on primary basket growth, you've obviously done well so far. I just wondered, Simon, if you can give some colour on how much more opportunity do you see there now versus where we were five years ago?

Then just finally, just a follow up on Argos, obviously a lot of work has been done on the cost side. Could you give us maybe a little bit more colour on where you still see the most opportunity for efficiencies, and what is it that we need to see from Argos to get back to profit growth, please? Thank you.

## **Simon Roberts**

Okay, Manjari, thank you. Well, why don't I take a bit more colour on how we're thinking about the investment in stores and how we're thinking about basket growth and Bláthnaid,

where we're going to think next in terms of our costs and particularly the transformation agenda in Argos.

Manjari, look, I mean, the first thing to say is that clearly the momentum in the food business is exactly what we planned for and is exactly what we expected to see, and actually the fact that we're growing primary customers at the rate we are. You can see in our slide this morning just how significant that growth in primary customers are, 1.2 million more primary customers shopping in Sainsbury's compared to five years ago.

Then specifically to your point, that underpinned in Next Level, our commitment to put new space down in a very targeted way. I'd add a very capital disciplined way. We were very focused at where we were investing in our stores, and we've so far delivered that investment in about 70 stores.

Actually, I would say that when you look at the last year, one of the charts you'll see in the pack when you look at our volume growth over the year is actually disruption was more front end weighted last year, and then as we came through into Quarter 3 and Quarter 4, you can see our relative volume against the market actually improved a bit more.

We delivered 1% to 2% over the full year. We had actually in Quarter 4, a continued strong performance. We learned how to manage disruption better last year. Actually, the benefit of that came through a bit more as the year progressed.

In answer to your question, we'll be in about 30 big supermarkets this year. This programme's really working for us. It's driving benefits in trading intensity up 5% volume growth, up 2%. But more than that, customers are getting more of what they want, which was the whole core idea of more for more. About 1,000 new products in these stores, a lot of those in fresh food, and that's really speaking to this standout performance in fresh food that we've got.

In terms of the growing basket size. Look, I think I've made the point that the focus that we have had since the beginning in Food First and has been the absolute underpin of Sainsbury's winning in food, has been our focus at the centre of the plate.

You can see the value position at the centre of the plate. We continue to execute against that strategy very clearly, and whether it'd be Christmas, Easter, Mother's Day weekends, or whether it'd be week in, week out, customers are trusting the value at the centre of the plate, and because of that we're winning the whole shop.

That's really what's powered the basket item increase compared to the wider market, customer's confidence in their value position really anchored in those centre of the plate choices and then shopping across the whole supermarket planet. Bláthnaid.

## **Bláthnaid Bergin**

Great, thank you. Look, we're really confident in our cost saving programme. We're proud of the £330 million that we delivered this year. We've got £1 billion target over the three years, and we've got clear line of sight to the £320 million that we need to deliver next year.

There is a lot of work going on in Argos at the moment, particularly around costs. We've got Daventry coming online, which is our automated warehouse, so that's going live as we speak. That'll be pretty big cost saving this year.

Then we just forensically look through all of the other cost lines and see where the opportunities are. I won't talk about those today, we'll talk a bit more about what we've

delivered when we get to the half year on that. But I would say the team are very focused on the cost saving programme this year.

## **Simon Roberts**

Maybe the linking theme, Manjari, whether it'd be in winning more primary customers, growing market share, outperforming a market share, or indeed finding further cost efficiencies, we see a lot more in front of us still today.

One of the things about our strategy and our plan at Next Level is as we get clearer and even stronger in what we're delivering, we see more opportunity in front of us. To your earlier question, there's more opportunity to win through centre of the plate, more primary shoppers. There's more opportunity to get customers shopping our full assortment, and just in the same way, there's lots of opportunities to keep delivering our cost and productivity agenda.

Actually, much of it increasingly powered by technology and AI, which is one of the things you've heard in our presentation this morning. Thanks.

## **Manjari Dhar, RBC**

That's great. Thank you for the colour.

## **Operator**

The next question is from Frederick Wild at Jefferies. Please unmute yourself and begin with your question.

## **Simon Roberts**

Frederick, good morning.

## **Frederick Wild, Jefferies**

Good morning, Simon and Bláthnaid. Thank you so much for taking my questions. I also have three, I'm afraid.

First of all, when I think back to those early - the early 2022 inflation post war, it was really the fresh component of the basket, I think, which saw that inflation come through first. When we think about the year ahead, can we think about a similar cadence where maybe fresh comes through a little bit before other COGS inflation that maybe is a bit more backend weighted to this year?

The second question is a bit more-high level strategic in the sense of, I know some people are - in the wider industry, not just in this country - are thinking about increasingly using other profit lines, whether they be Retail Media or other businesses like clothing to support investment in the food offer and to really drive that volume share. Are you thinking about the business in that way, or are you still thinking about these as separate businesses that can all drive profit growth together?

My final question is on CapEx. I know you've obviously at the CMD pre-guided that CapEx increase as part of your plans. But maybe, given the outsized labour cost increases we've had since then, maybe there's some new technology like electronic shelf labels coming in, have you been tempted to add a little bit of extra CapEx in there? Or do you feel bound and that the current plan is sufficient? Thank you.

## Simon Roberts

Thank you. Okay, seems like three questions are the order of the day today. Why don't I talk to fresh food and inflation more broadly, we'll talk about how we're thinking about the profit streams in the broader business. Then as I say, CapEx is a real focus of discipline for us, Bláthnaid can give us a sense of how we're working on that.

Look, I think let's just take half a step back on inflation, Freddie. I think we would all say, wouldn't we, that prior to the Middle East conflict, inflation was starting to head down. We'd been in the threes, I don't think we were expecting any of this to go back to the mid-twos quickly, but it was on a route back down into that place. Clearly the events of recent weeks are bringing pressures on inflation now. I'm not going to predict where food inflation's going to go, I don't think that's helpful to us, but I think it's clear there are pressures on inflation.

Your question, obviously fresh food has a couple of important components that are both go into the production and the processing and ultimately the retailing of fresh food, given the energy component. We all know that fresh food takes a lot of energy to produce and actually particularly at this time of year, as we head into the peak British growing season, a lot of farms are using a lot of energy right now to get crops underway.

Then obviously as we know, I don't need to explain this to this call, just the breadth of energy consumption across logistics, supply chains, processing, manufacturing, retailing, online, digital, it's an immense energy consuming sector. Of course there's pressure on fresh food because of the component of energy that goes into it.

It's one of the reasons why we would make the point really clearly to government that the energy policy approach that's been taken to highly intensive industries that use a lot of energy should be applied to the food industry. It should be applied to manufacturing and to retailing, because we need to do everything we can to mitigate higher levels of inflation.

I think to your question, there's always a bit of a lag. In fresh food the lag time is a lot shorter than in canned and packaged goods, so we should expect to see the inflation start to pass through as we come through the next couple of months. Obviously our job is to make sure we balance the choices we make to mitigate inflation as far as possible, whilst also recognising the fact that we want to deliver for all of our stakeholders.

I think what this will mean is the market will behave incredibly rationally this year, I think that's a really important characteristic of what we think will happen, because everyone will be navigating these issues.

On your second question, I would just point to what we've been doing. We set out a very clear plan in 2020 to become Food First. We said that winning in food was at the heart of our strategy. Then since then, over the last five years, you've seen how the strength of our grocery business has grown and grown in terms of its reach with customers, its performance and its ability to deliver substantial cost savings. Well it delivered £2 billion of cost savings at the end of the five-year point and we're on track to deliver the full £1 billion over the three years of this plan.

But within that obviously there's a number of things we've built. We've built an EV business, which we're really pleased with how that's contributing to our performance now. We paused the rollout just to really build the operating performance of the sites we've got on the ground. We're really pleased with how that's going and it works really well for customers shopping in our supermarkets. They can charge their car in 25, 30 minutes while they're getting their shopping with SmartShop and be in, out and through quickly with a fully charged car.

We think we're setting the standard in Retail Media in our industry. You can see that we continue to make really strong progress towards our £100 million target through Retail Media. The team there have done a phenomenal job this year, both in extending Your Nectar Prices, the first to do that at scale in the way that we have last summer.

Then obviously to continue to build out Nectar360 in the way that we are, with the capabilities of personalisation powered by really effective and strong AI capabilities that mean we will have somewhere near £500 million personalised pricing options out in the market this year, about £350 million as sit today.

You've seen what we're doing in clothing, the Tu Clothing brand is gaining real strength in the market as customers look for the combination of great value and great style. You can see our performance in the year. When you look at all of the things that sit around the food business, you can see our focus, number one, and you can see how step-by-step we're building really clear capabilities that add to our performance. Bláthnaid.

## **Bláthnaid Bergin**

Great, so Freddie, when we set out the Next Level Sainsbury's strategy we talked about a CapEx envelope of £800 million to £850 million a year. As we head into this current financial year, year 3 of that strategy, we're still operating within that envelope and that's what we've guided to. We'll guide in future years when we get there.

I think what's really important though is we operate within that envelope and we make choices. One of the big choices that we've made over the years is when the Homebase stores opportunity arose and the Co-op stores, we did that within the current CapEx envelope. We're constantly revisiting those decisions to make sure that we're getting the best return, the best opportunity, but also building our business for the future as well.

We do make balanced choices as we travel through the year. Our absolute focus is on delivering cash and there is a play between cash and CapEx, so we are committed to continuing to deliver at least £500 million retail free cash flow this year and we'll make choices across those envelopes.

## **Simon Roberts**

Thank you, Freddie.

## **Freddie Wild, Jefferies**

That's brilliant, thank you so much.

## **Operator**

The next question is from Sreedhar Mahamkali from UBS. Please unmute yourself and begin with your question.

## **Sreedhar Mahamkali, UBS**

Morning... Can you hear me?

## **Simon Roberts**

Good morning, we can hear you.

## **Sreedhar Mahamkali, UBS**

Thanks for taking questions. Maybe just three as well, just to build on some of the things you've talked about, Simon. The conflict and the impact on consumers, you haven't said anything yet so far. Do we assume you've not seen anything yet, but this is something to play out, as reflected in your guidance? Or are you already seeing some differences in the way people are trading within grocery and GM more broadly?

Secondly, I think you've touched on the value index, very interesting couple of slides there. You're holding steady before personalised pricing in an intensely competitive market last year. But as your offer becomes more and more personalised, does the way you measure value change to what the customer actually gets, tracking that a lot more closely? I guess also while on the competitive landscape, is the activity more stable and rational now than it was this time last year?

Really the last one to Bláthnaid, I think. Can you just help us understand net finance cost guidance and how we should be thinking about next year and the year after, the £320 million, which is a bit more than what we were thinking? Thank you.

## **Simon Roberts**

Sreedhar, thank you. All right, well let's link together broadly consumer response, what are we seeing, how are we thinking about value and what is the competitive landscape. Then I'll hand over to Bláthnaid.

I think the first point to make is that clearly we come into this year with our grocery business in strong shape. I think that's a really important start point, because that's what we've been building over a number of years. This isn't the first time we've dealt with significant supply chain or energy impacts. We've had versions of this every year, this isn't the first rodeo we're approaching on this.

I think we're well equipped to be able to really understand how we navigate this, which is why we think we can give customers exactly the service and availability that they need. We'll do the right and balanced approach to managing inflation, trying to keep prices as low as we can where it matters most and that speaks to your value index question. Whilst also really recognising the fact there are lots of costs that are likely to need to be navigated and we'll have to make sure we make the right balanced choices about those.

In terms of current trading, on the food business, to your point, we've come through the first weeks of the year. As we've said in our statement this morning, we've had a positive start to the year. We've seen momentum and volume outperformance, continuing the trend that we've seen. Easter was a strong trading period for us and so we come into the year with good momentum and continued industry outperformance.

Of course, the general merchandise market remains subdued and challenging. I think it's a bit early yet to judge the impact, because obviously the key months, particularly in the Argos business, are May, June and early July, when the seasonal categories become really important. That's the time of the year when people look to buy things for outdoors, garden furniture, all the things for the summer. May, June and July, particularly early July, is the time that happens.

That will be the time we can take a good read on the GM side. I think obviously bigger ticket under more challenge than lower ticket items, but obviously the Argos offer is very well set

on value. We're paying even more attention to make sure we get the balance right between value for money and margin discipline and cost discipline, so we deliver the right set of balanced results there.

On value index, we're exactly where we want to be, which is a really strong position against our key competitors. Continuing though obviously to balance where we need to be, really strong value, against where we really optimise our performance and drive the right profit outcome. That's what we'll continue to do.

The reason I mention centre of the plate, it's at the core of our strategy, it always has been. We all go shopping every week, what we spend in our weekly shopping basket is heavily driven by our confidence and trust in meat, fish, poultry, bananas, apples, milk, bread, orange juice, the things we all buy week in, week out. That's why we focus so much of our value investment in those parts of the shopping trip and it's really working for us.

On the competitive landscape, I think a couple of things to say there. First of all, last year broadly played out how we expected in terms of the incremental investment in value at the market level. You'll remember we set the year with a very clear position, we would sustain the strength of our competitive position. The investments we made in value in a very targeted way in marketing, in service and availability, really worked for us actually. We were very focused on how we did that.

When we look at the year ahead, as I've said, we think we're well positioned to navigate the uncertainties out there. But I think it's also clear that the goals of some of our competitors are clearly defined. That means that it will limit the extent to which we might see, we think, disruptive or irrational behaviour.

We see a very rational market over the year ahead and we don't really expect much change. I think the industry broadly will solve the issues that may or may not develop as a result of this situation. We think our position is strongly placed as we enter into that. Bláthnaid.

## **Sreedhar Mahamkali, UBS**

Simon, a quick follow-up.

## **Simon Roberts**

Sure. Let's hear from Bláthnaid and we'll come to the follow-up.

## **Bláthnaid Bergin**

Okay, so great question on the finance costs. There is a little nuance in there, so you have picked it up. As we wind down the bank, the Tier 2 debt comes in. That will have a net cost this year of about £5 million of that debt coming in. We can call it sometime between September 2027 and March 2028 and our intention is to do that, so that £5 million will fall away in future years.

Then the other kind of nuance is there's a little bit of increase in the lease costs. We've added some property, we've also had some regears during the year, so that's the balancing number on that.

Simon, back to you. I think Sreedhar has another question.

## **Sreedhar Mahamkali, UBS**

Thank you. Just a follow-up on the value index personalisation point. You showed it's stable versus two of your important key competitors. With personalised value, would it have actually improved last year?

## **Simon Roberts**

I think just to be clear, the two charts that we showed do not include the benefits of personalised value, so it would have improved, to your question. Obviously we're constantly making sure we're using our value investment to drive the best outcome. That's why I make the point that as we use personalisation, AI capabilities in our personalisation engine are becoming more and more effective at how we use that investment to get the best connection with customer price perception, but also be very efficient with our value investment.

In the round, I've always said we're not looking to be cheaper than we need to be in the market. We're looking to balance the right value position with the combination of personalised value. As you've heard in our overall guidance this year, we expect in the guidance we've given to grow the profit performance of our grocery business this year.

We've been clear on that in what we've said, obviously on what we can see today. But there are clearly a number of uncertainties, not least the duration of what's happening now, which is the reason why we've given ourselves the flexibility to make balanced choices for what we may not be able to see today. Thanks, Sreedhar.

## **Operator**

The next question is from Xavier Le Mené at Bank of America. Please unmute yourself and begin with your question.

## **Simon Roberts**

Hello, Xavier, morning.

## **Xavier Le Mené, Bank of America**

Thank you for taking my questions, good morning. Two actually, not three from me. The first one, if you look at the operating margin on the value investment you've been doing now for a few years, if we look at the underlying operating profit it would likely down year-on-year, despite strong volume growth. How should we think about the balance between ongoing value investment going forward and the scope to rebuild margin going forward? Just to get that clarified.

The second question is on the quality and durability of the free cash flow. You had an improvement of the retail free cash flow this year. It was helped also by a strong working capital. How much of this investment we've seen last year is structural versus timing related with the working capital especially? What should we expect potentially for the working capital going forward?

## **Simon Roberts**

Xavier, thank you. Bláthnaid, shall I turn to you on that?

## **Bláthnaid Bergin**

Yes, why don't I start with the cash flow. We have run a very successful working capital programme. We have another year of that to go. We delivered £128 million this year, a fair portion of that was from the working capital programme. We're keeping that discipline, particularly in stock and inventory management and in payment terms.

But as food volumes grow in the business, this is the really nice part of the flywheel, it's a negative working capital, so we do get some benefit, natural benefit out of that as well. Continuing to grow volume in our business is good for our free cash flow on that.

We are absolutely committed to delivering at least £500 million retail free cash flow. We will update in future years on the guidance, but we have a lot of choices that we can make and we've still got more in that working capital programme for year 3 of NLS on that.

## **Simon Roberts**

On the first question, I think really clear from our perspective, Xavier, we are very focused on continuing to improve and take advantage of our position in the market in the grocery business. You can see the strength of what we're delivering in volume and we've always said from the beginning, what's the biggest operating performance driver in grocery? It's how we grow volume over fixed costs.

Now obviously the year we've just had had a level of cost inflation that was pretty unprecedented, given some of the policy impacts particularly in NI and in National Insurance. I said earlier on, I think to Rob's question, this was the first year that despite delivering £330 million of cost savings, but actually the external impacts on the industry clearly weighed heavy in the year.

As we look to this year, I'd make the point again, there's a lot we can't see at this point in time. Our range is about giving us the flexibility to make balanced choices. We think we're coming into this context in a very strong place. We're growing our trust with customers, we're winning more primary customers. Customers more and more are spending more of their grocery shop with us. That gives us an opportunity to really focus on continuing to present great value, but also making our business more efficient, becoming more personalised, finding the sources of additional performance.

As you would expect, we're incredibly focused as a team in making sure we get that balance exactly right this year. It's a year where we expect to continue to take volume outperformance in the market and we'll use that outperformance to drive the best financial outcome we can. Thanks, Xavier.

## **Xavier Le Mené, Bank of America**

Thank you.

## **Operator**

The next question is from Matthew Clements at Barclays. Please unmute yourself and begin with your question.

## **Simon Roberts**

Matthew, morning.

**Matthew Clements, Barclays**

Hi, morning, both. Hopefully you can hear me.

**Simon Roberts**

We can.

**Matthew Clements, Barclays**

Just one from me, if that's all right. Very impressive contribution to grocery growth from your OnDemand business, both in supers and in the convenience stores. Can you just give us some colour around the confidence you have, how much of that is incremental, the sales that would have happened in the first place?

Also can you give some colour around the split between orders coming through the Sainsbury's app? I know you incorporated it from Chop Chop into the main app earlier this year. The split between the main Sainsbury's app and the third party apps. Any colour also around that in terms of who owns the data and whether you - I guess you'd rather have orders going through the main Sainsbury's app for Retail Media purposes. Thank you.

**Simon Roberts**

Thanks. We're really encouraged with the way in which we're building volume across channels. For obvious reasons, we want to make sure we get our offer really connecting with customers in our supermarkets and Sainsbury's Local convenience stores. Also our online business and also, as you say, in the fast-growing area of OnDemand. I think super-important to say here that we've really been able to do that on all four fronts this year. At the heart of this actually is being able to make sure we can use our fixed assets in our convenience stores and in our supermarkets to fulfil the significant growth in OnDemand.

That's a really important part of what we're doing. You can see that actually on slide 41 in our pack, the extent to which this volume is really using the assets of our supermarkets and convenience stores. That's where we're fulfilling from. We're not building remote locations to fulfil this volume, we're doing it in our stores, using our existing capabilities, assets and stock.

Clearly we're very focused on making sure that we meet customers where they are and as customers want to shop more in the OnDemand channel, we need to be in the place to make sure we serve them. The partnerships we've built, working with some of the third party platforms really worked for us. Again they were a very efficient way of reaching that customer base and that volume in a way that we can drive it into our channels. Obviously we work very closely with the three that we primarily use to achieve that.

Obviously customers come in through that platform and then can now access a really broad range of Sainsbury's food. What we're seeing is the number of items in the basket really picking up as we do that. What that means we can do is really focus in our business on the core elements of our Next Level plan, where our capital discipline, our capital investment and our resources are making sure that we're making our core channels in Sainsbury's grocery online, Chop Chop, as you say, supermarkets and Sainsbury's Local really perform.

You heard earlier from Bláthnaid the focus we're putting on our investment choices there. As we put more products into our supermarkets, that's helping our online business perform, it's helping our OnDemand business reach more customers, so a net-net win-win there in how that's coming through. Thanks, Matthew.

## **Matthew Clements, Barclays**

Thank you, that's very helpful. If I could add just one question as well, just on your downside scenario in our range, could you give any colour around how you think about Argos and the Sainsbury's retail business within that downside scenario? Is Argos disproportionately driving the downside case there?

## **Simon Roberts**

As we said, I think, to the earlier question from Rob, we're expect Argos broadly to be flat year-on-year. That's our central assumption in our guidance. I think a couple of things to say there. Obviously we're at the time of year - it's good to see the sunshine out there this morning, isn't it, and the last couple of days. Last year we lapped some very significant weather in Quarter 1. Actually that benefited the Argos business, but it also benefited the grocery business.

Our plan doesn't assume a knockout summer, it assumes an average summer. But to your question, the key period of time for Argos, as I said earlier, is May, June and early July, when the seasonal categories become really important. That's obviously dependent on the weather. Whatever we see over the coming months will be important in terms of understanding demand in GM and I'd also say in food as well. That's really the key components of that.

Obviously the general merchandise market continues to be subdued. You've heard that in many areas. What do we have to do, therefore? Really accelerate and focus on the Argos transformation, which we're well underway with. Improving what we do for customers, giving them confidence on range, making sure that in, through and out Argos digitally the conversion is really strong.

Then taking care of our cost and productivity opportunities, as Bláthnaid said, to make sure that we're moving at the pace we need to, to get the Argos business in the right shape and to make sure we can be delivering for all our stakeholders, given what is a subdued GM market. Thank you, Matthew.

## **Matthew Clements, Barclays**

Thank you for your time, cheers.

## **Operator**

The next question is from Elizabeth Rose Moore at Citi. Please unmute yourself and begin with your question.

## **Simon Roberts**

Hello, Elizabeth, good morning.

## **Elizabeth Rose Moore, Citi**

Morning, Simon and Bláthnaid. Thanks very much for taking my question, I just had one please. On Retail Media, in the release you mention that you're ahead of the plan to deliver at least £100 million of incremental profit over the three years to March 2027. I was just wondering if you'd be able to help us understand what the incremental Retail Media profit contribution was to this year's EBIT.

I think in FY25 you reported an incremental £39 million from Retail Media. I know you showed a chart in the slide and said it wasn't to scale, but that showed a kind of step-up in FY26 and FY27 that you were expecting. Should we assume that this year's contribution was higher than that £39 million and then next year could be higher again? Thank you.

## **Bláthnaid Bergin**

It was a little bit less than the £39 million, is what I'd say this year. There were some changes, particularly around HFSS, so we pulled back a little bit on that and that's what you've seen coming through the numbers this year. So it's a little bit lower than that.

## **Simon Roberts**

One of the things here, Elizabeth, just to Bláthnaid's point, is we're obviously thinking about not only the total volume of income we can secure, but also the balance of categories that we are even more active in. One of the things that we're very focused on, you heard it in the presentation this morning, is we see a real opportunity for Sainsbury's, with our primary customer base but also as a result of that through our Retail Media channels, to think about the categories emerging in health and nutrition.

What you really see in the year we've had is a bit of a pivot away, as Bláthnaid said, from some of the HFSS work that's been a key part of what's been happening, into some of that new and important space. This is exactly what we should be doing, we remain very confident on our £100 million over the three years. But it's important as we come through this period to also make sure we're fuelling our focus and our strategy in Retail Media into the categories that we think are going to become even more important over the years ahead with the suppliers and partners and clients that will be very active in that space.

We'll talk more with you through the year on our plans in the health space, but we think the strength of Sainsbury's fresh food business, the big shifts into protein and fibre, we're already well placed to make sure we can give customers and brand partners real opportunities to work with us in creating value.

## **Elizabeth Rose Moore, Citi**

Perfect, thank you very much.

## **Operator**

The next question is from Benjamin Zoega from Deutsche Bank. Please unmute yourself and begin with your question.

## **Simon Roberts**

Benjamin, good morning.

## **Benjamin Zoega, Deutsche Bank**

Morning, thanks very much for taking my questions. I have three questions, if that's okay. Firstly on pricing, secondly on supplier costs and thirdly on Argos. Firstly, on pricing, you've outlined that there could be upward pressure on food inflation, but with a large durational market. I'm just wondering if that expectation for higher food inflation has shifted at all your

expectations for how you balance price investments across Nectar prices or everyday price matches.

Secondly, on supply costs, you say there's been some pressure building within costs. So it would be very interesting to hear from your perspective the key concerns that you're hearing from suppliers and how we should think about that cost inflation potentially passing through under long-term supplier agreements.

Thirdly, on Argos, what's the rationale behind launching the new marketplace proposition? How is this a shift from the current supplier direct fulfilment model? Thank you very much.

## **Simon Roberts**

Thank you, Benjamin. Okay, let's take them in the order that you've asked us. I think on the first point, on pricing, I think we've covered on the call quite extensively already that clearly upward pressure on food prices for all the reasons that we've talked. Most significantly energy and the components of what goes into food manufacture, processing and retailing.

I think at the heart of your question you're really asking me how do we use our price investment to make sure in the most efficient way we invest in value to give customers confidence, but also, as I say, to make that we can manage in the right way our margins and profitability. I think our value formula really works for us.

Actually at times like this, we think what customers want is certainty and absolute certainty when they shop at Sainsbury's with the biggest Aldi price match in the market by some measure. That is really focused on my earlier point on the products that people buy week in, week out, that's really working for us.

Nectar Prices, clearly we started Nectar Prices in April 2023 with about 300 SKUs. We're now consistently north of 10,000 SKUs. Then we've talked, to Sreedhar's question, on the value of personalisation in Nectar Prices and the way we can use our algorithms now to really precisely plan that investment.

That formula is working very well for us and we'll continue to use it in exactly the way we are. As I said earlier, balancing the value we give for customers, giving customers trust on the prices they pay and driving for the best financial outcomes we can achieve, that's our job to do that, underpinned by our cost delivery.

I think on suppliers, for obvious reasons, the work we've been doing over the last three years, our fresh food and agriculture team have really led the way in building up these long-term partnerships. We'll just make the point on this call, I've spent a lot of time on farms over the last 18 months, spending time really understanding with our farmers what they need. What they need is certainly.

They need certainty of what we're going to buy, what our commercial terms and cost of production model is going to be and then what's the duration of that contract. I can't underline enough, whether it be in chicken, whether it be in lamb and beef, whether it be in milk, or mushrooms, or berries, or vegetables or potatoes, all the supply chains we've worked on, how much of a difference this makes at times like this where that resilience and that certainty really plays through.

Of course there's pressure in the system, but building that strategic base of partnership, which is running through the veins of this business now, is really changing the way our suppliers deliver for us and we in turn deliver for customers, with the best both value and performance outcomes.

Then on Argos, I think really clear, right? What do we have to do in Argos? Argos is a loved brand for customers. They want to buy the range of products that they want to buy and Argos as a brand gives us permission to be in more categories and in more products than we've been before. Our job is to deliver that for customers in the most efficient way, so we're building clearly capability through supplier direct fulfilment. That's been really effective for us because it's meant we're not carrying the stock in our own business.

Similarly, a marketplace where we can link in to other brands through Argos is going to help customers access even more of what they want. We're taking a very disciplined approach to our investments in Argos for obvious reasons, making sure that the capital we use is very focused, with very clear outcomes that we look for. But net-net, how do we improve what we do for customers, how do we improve the digital experience and how do we save costs, as I say, to build the strongest and most successful future for Argos that we can. Thank you.

## **Benjamin Zoega, Deutsche Bank**

Thanks very much.

## **Operator**

The next question is from Clive Black at Shore Capital. Please unmute yourself and begin with your question.

## **Simon Roberts**

Hello, Clive, good morning.

## **Clive Black, Shore Capital**

Morning, thanks for your questions and answers and all the rest of it. One from me, conscious of time as well. You've touched on food resilience in your statement and also on wellbeing. I just wondered how important those two themes are going to be for the British food system and how and why Sainsbury's may actually be a winner in that context. Thank you.

## **Simon Roberts**

Clive thanks, really important question. I think the events we see around us, around the world, just shine a light again, don't they, on making sure that we have a food system in the UK that delivers what it needs to deliver for our population. Secondly, that that system's working in the right way.

It's a topic we really care about. We, as I've just said, have a longstanding, decades long commitment to partnership with British farmers. We've just extended that substantially, for all the reasons we've just talked about. Similarly, on the topic of welfare and wellbeing, welfare of animals, wellbeing of our consumers, topics that are very, very at the heart of this brand. Fresh food is at the heart of Sainsbury's. It's standout for us in what we believe in and the potential that we see.

As more and more customers are looking for healthier options for themselves and their family, our fresh food capabilities are one of the things we're going to continue to drive forward. You can see the momentum we have there. We can only do that if we have partnerships and relationships with thousands of British farmers and we're really close to

what they need. We're working on their behalf with them to make sure that policy decisions in the UK food system unlock and support what farmers need.

As I say, on the partnerships that we have, we're building also leading positions in welfare too. For all those things at the heart really are about our customers trusting us to do the right thing. That's absolutely our key focus as we bring good food that's accessible, affordable and joyful to the heart of everything that we do and we believe in.

## **Clive Black, Shore Capital**

Do you think there is a reason - sorry, the reason you're engaging in five to 10-year supply relationships, is that because you're worried about the security of supply?

## **Simon Roberts**

I think it's two things. I think it's clearly making sure - and if you go back to the fundamental principle, what do you customers want most? They want trusted value week in, week out and they want to be sure they can get the food that they expect to get. I think for that reason, us taking more control of our long-term supply arrangements and availability is obviously at the heart of making sure we deliver on that on behalf of our customers. That's one factor to it.

I think more broadly at the industry level there is a responsibility for the food industry in the UK, all components of it and government, to have a very clear point of view on what food resilience is. What's needed, what are the policy decisions we need to be making over years and decades to come. A long-term framework of what we need to do. It's one of the reasons why we're taking part in the discussions with the wider industry and with government on building a food strategy that delivers resilience, health outcomes and the support for British farming and agriculture that's needed.

## **Bláthnaid Bergin**

I'll just add one thing. Look, Clive, it's really important people have the confidence to invest in their businesses. When we work with suppliers during a five or a 10 year contract it allows them to take that to the bank, take a loan and invest in their business for the long-term. That's really important as well as we partner with suppliers. It's our commitment to them.

## **Simon Roberts**

Yes, absolutely.

## **Clive Black, Shore Capital**

Yes, well said. Thank you. Thanks for your time.

## **Simon Roberts**

Thank you, Clive.

## **Operator**

The next question is from William Woods at Bernstein. Please unmute yourself and begin with your question.

**William Woods, Bernstein**

Hello, good morning.

**Simon Roberts**

Hello William, hi.

**William Woods, Bernstein**

The first question is on the price index. If we look at slide 33 and 35, you've said you're exactly where you want to be on price but it looks like there's been a narrowing of price perception in period 9 to 13 and your pricing gap has narrowed, or the improvement in the pricing gap has narrowed versus Lidl, Morrisons and Asda, versus H1. Are you happy with that narrowing gap?

The second question is on Argos. Argos – I mean, we're in a number of years of Argos being weak now, can you take more radical steps on range and price and ops to improve this?

Then the final question is on Retail Media. If we go back to 23/24 and we look towards March '27, you've guided to £100 million of incremental profit from Retail Media. But basically, if you get the upper end of your guide that assumes that all the profit growth has in theory been explained by Retail Media. I appreciate Argos has gone backwards but I suppose, are you really making progress in your grocery margin or is Retail Media the only profit driver in the business? If you are making progress in the grocery margin, is the Retail Media profit really incremental if you have to keep investing it in price, or to manage inflation? Thanks.

**Simon Roberts**

Thank you. Okay, so why don't I speak to the value question that you've asked and where we are on relative pricing and how that's played through and then Bláthnaid will pick up on what you've just asked in terms of how we're thinking about where our profit delivery is coming from. Then we'll pick up Argos after that.

Look, I think on your question, on slide 35 you can see that our price perceptions improved actually against the market in the second half. That's what happened, we got better in H2 against a market that went back. I would also just draw out on the earlier slide, the key point which was that as volumes in the market came off, our volume was more robust, particularly in Quarters 3 and 4. So we come into this position with absolute confidence actually in our relative value position because of the volume performance it's derived and because of our consistency in volume outperformance delivery across all four quarters of the year.

Obviously in the year we made some changes. We brought Your Nectar Prices to main bank shops in July. That helped in the way in which we could use personalised value more as the year unlocked, if that makes sense. Obviously we were in SmartShop and Grocery Online in the first couple of quarters and then we were using the full breadth of all the shopping trips for personalised value. Of course, personalised value doesn't reflect in the charts that we're talking about here because it's unique to each and every customer.

Look, as we've come into this year obviously I'm sure every supermarket is looking closely at this daily/weekly, but our value position continues to be carefully balanced exactly where we are, with a combination of the biggest price match, Nectar Prices and then this component of personalised value becoming really important in how customers feel a level of trust and value for what they spend.

## **Bláthnaid Bergin**

Great, so let me take the Retail Media. Look, without a thriving, growing food business you can't really build a great Retail Media business as well, because the two go hand in hand. So, for us we think of these as one business that complement each other hugely. In year 1 of our strategy last year we delivered profit leverage. In the year we're in we made some choices, given the competitive market that we were entering into, to really ensure that we protected the value proposition and that we continued to grow our volumes ahead of the market and we succeeded in that.

As we head into year 3, based off what we can see today we expect to deliver profit growth in year 3. Nectar and part of that profit growth is part of what we've given in the guidance but we use the two of them together to ensure that we're continuing to grow volumes ahead of market because that thriving food business is really important.

## **Simon Roberts**

Come back to your Argos question, let's just frame that again, if you wouldn't mind.

## **William Woods, Bernstein**

Sorry, my Argos question was effectively we've had a couple of years of quite weak performance at Argos from a profitability basis. You obviously did a great job before in terms of changing Argos' range, price, ops, all those kind of things, do you think you need to take more radical steps basically? So, you take that strategy and you take it to the next level, basically?

## **Simon Roberts**

Yes, no, thanks. I mean look, just to repeat what we hopefully said to previous questions, I think we've got a very clear plan for Argos to build a stronger and more successful Argos. The key shift we've made in Year 2 I would call out, the first is that obviously we took a lot of value across the business in integrating a lot of the activities across Argos and Sainsbury's and that was the right thing to do. Through 2020 and beyond we took a lot of value, a lot of cost saving from that.

As we now more and more focus on what do we need to do in Sainsbury's and what do we need to do in Argos – and for obvious reasons sometimes they're the same, sometimes they're different – we've put this dedicated focus on Argos. That is enabling us to really pick up agility and focus in delivering the transformation.

The second thing we're obviously doing is making sure we really stare at what does Argos need to perform for itself. For example, we're making some investments in technology and infrastructure for Argos. We're accelerating that work to make sure that the stack that sits around Argos future capabilities is where it needs to be. So, those are the two areas that we've most moved on this year in order to make sure that we take every opportunity to work at pace to give Argos what it needs, in a very disciplined way, and in the same way I would make the point here, there's a range of outcomes this year. Clearly there's a lot we can't see. What we think about as we come through this year, there's a lot of opportunity in the Sainsbury's business in the year ahead that we want to make sure we're really well-equipped to take advantage of. Thank you.

## **William Woods, Bernstein**

Thank you.

**Operator**

The final question is from Karine Elias at Barclays. Please unmute yourself and begin with your question.

**Simon Roberts**

Hello, good morning.

**Karine Elias, Barclays**

Hi, thank you for the presentation. Just one final question for me, speaking of opportunities. Picking up on your comments on convenience, you mentioned that some of the scores were 50% ahead of expectations. This is, obviously, in stark contrast with some of what your competitors are seeing. Some of them have blamed the weaker tobacco sales. Just maybe a little bit of context, do you feel that this is the assortment, the location? Maybe a little bit more colour on there would be great. It's great to see the division doing so well. Thank you.

**Simon Roberts**

Thanks. No, it was good to talk about opening new shops. It's one of the things that we need to take a very disciplined approach to. So just to make the point, we're very clear there are parts of the UK where there isn't a Sainsbury's today where there is a very clear, very robust financial case to have one. That's exactly why this work on convenience and supermarkets is really important to us.

As Bláthnaid said earlier, we've been really focused on the decisions in capital we've made to open new stores. Within the same capital envelope we made the Homebase acquisition and already some of the stores we've got open there, we're really pleased with how they're performing. Sutton Coldfield was the most recent store we opened and customers are loving what we're doing in that shop.

Then on convenience, specific to your question, we opened 33 convenience stores in the year. Why are they performing so well? Because the offer is really connecting with customers. The combination of our value and our quality and our service is really working for customers. More and more again, as we think about how we can optimise what we're doing, we see real opportunities particularly on ranging and planograms to make sure that we get an even more precise match of range and layout of planogram to customer-type by store. It's one of the areas that AI is really helping us get even sharper at.

So, the offer that's going into the shops, the way we're organising it, the consistency of that offer and the locations that we're choosing. We're very disciplined about the locations we choose. Lots of retailers can open new stores and then find themselves two or three years down the track with that location not working. Our convenience model is a very strong one. It's one we're very disciplined about. Making sure we only open where we're sure. The reason for the performance is a combination of all those factors. Thank you.

**Karine Elias, Barclays**

That's very helpful. Thank you very much.

**Simon Roberts**

Okay, just to check, there's no more questions?

**Operator**

That was our final question.

**Simon Roberts**

That was our final question, okay. Thank you everyone for joining us this morning and thank you for some really good questions. I hope we've covered all the key topics that are out there to discuss and debate at the moment. Clearly we come into this year with a lot of momentum. You've heard us talk about the start to the year we've had. We're going to be really focused on delivering for all our stakeholders this year as we continue to build momentum in the Sainsbury's grocery business and navigate the uncertain events out there. We very much look forward to talking again over the coming weeks and obviously when we meet again at the end of June for the Q1. Thanks for your time.

**End**