

Strategy overview

Next Level Sainsbury’s year one

Building on strong foundations

The first year of our Next Level Sainsbury’s strategy has built on the success of our Food First strategy, delivering further grocery market share gains and significant operating leverage. This reflects the investments we have made over the last four years to improve our grocery proposition. We have built resilience and sustainable competitive advantage through strengthening the fundamentals of the business across logistics, technology and the way we work with suppliers.

We are winning more big basket primary customers, providing us with the confidence to accelerate our plans to bring more of the Sainsbury’s food range to more customers. We have acquired 14 new supermarket sites in key target locations. Together with further new supermarket openings and expanding food space in our supermarkets through space reallocation, this provides a unique opportunity to drive further market share gains.

The strength of our balance sheet and cash generation are key strategic assets, allowing us to invest capital to remain competitive, drive growth and efficiency and build competitive advantage while also delivering strong returns to shareholders. During the year we invested £825 million of capital in the business and have returned more than £500 million of our £531 million

Retail free cash flow to shareholders, completing our share buyback programme of £200 million and paying ordinary dividends of £308 million. The strength of our balance sheet was recognised by S&P and Moody’s giving public investment grade ratings in January 2025 and we issued £550 million of unsecured fixed income bonds, our first unsecured bond issue in 21 years.

We have further sharpened our focus on our core grocery business over the last year, through the announcements of the sale of Sainsbury’s Bank’s core banking and ATM businesses and the sale of the Argos Financial Services cards portfolio.

Across the business, we are focused on delivering the eight commitments that we made at the launch of Next Level Sainsbury’s:









1 Food volume growth ahead of the market	<div><div></div><div></div><div></div></div>
2 Customer satisfaction higher 2026/27 than 2023/24	<div><div></div><div></div><div></div></div>
3 Colleague engagement higher 2026/27 than 2023/24	<div><div></div><div></div><div></div></div>
4 Deliver our Plan for Better commitments	<div><div></div><div></div><div></div></div>
5 Deliver profit leverage from sales growth	<div><div></div><div></div><div></div></div>
6 £1 billion cost savings over three years to 2026/27	<div><div></div><div></div><div></div></div>
7 1.6 billion+ retail free cash flow over the three years to 2026/27	<div><div></div><div></div><div></div></div>
8 Higher return on capital employed	<div><div></div><div></div><div></div></div>

Progress key

No progress Ongoing On track

We have made really strong progress against our ambitious three-year commitments, consistently leading on customer satisfaction, delivering food volume growth ahead of the market, and as a result, profit leverage from sales growth. We have good line of sight on our financial commitments and are confident in our ability to deliver as we look ahead over the life of the plan.

Our progress against these commitments is driven by our four strategic outcomes: First choice for food, Loyalty everyone loves, More Argos, more often and Save and invest to win.

Outcomes	What this means
<div> First choice for food  Read more page 11</div>	Attract many more people to choose Sainsbury’s as the place they come to for good food and play a leading role in creating a sustainable food system in the UK
<div><div></div> Loyalty everyone loves  Read more page 14</div>	Build a world-leading loyalty platform that’s more personalised, joyful, rewarding and transparent – for everyone
<div><div></div> More Argos, more often  Read more page 14</div>	Unleash and transform Argos around the three things that have always made it brilliant: its curated range, famously convenient experience and great value – so more customers buy more complete baskets more often
<div><div></div> Save and invest to win  Read more page 15</div>	Save £1 billion and invest in transforming our capabilities – taking another big leap forward in efficiency, productivity and customer focus, continuing to build a platform for growth



Delivering on our outcomes



First choice for food

We have delivered a record-breaking year in Grocery, outperforming the market every quarter for a second consecutive year and making our biggest market share gains in more than a decade, as more customers come to Sainsbury's for their big trolley shop. Our winning combination of outstanding quality, great value and leading service really resonates with customers, driving a significant increase in loyalty, with primary customer numbers 18 per cent higher than four years ago.

More customers are shopping with us for their big trolley shops

We are strengthening customer loyalty and successfully converting Secondary into Primary customers who trust Sainsbury's as their first choice for their big trolley shop, fuelling the largest share gains in the market for the main shopping mission. Our commitment to consistently deliver great value has driven a sustained improvement in our competitive value position and a significant improvement in customers' perception of the value we offer. We continue to prioritise price investment in the items that matter most to customers and were the first retailer to extend our Aldi Price Match campaign across supermarkets, convenience stores and online. We have rolled out our Nectar Prices offer to over 9,000 products and we are enhancing our capabilities in personalised value through Your Nectar Prices.

We continue to work closely with our suppliers to develop innovative and high-quality products. We launched more than 1,300 new products over the course of the year, of which more than 600 were *Taste the Difference*. *Taste the Difference* remains the fastest growing Premium Own Label in the market, with sales growth of 15 per cent and a particularly strong performance in Fresh categories.

Through strengthening our relationships with suppliers and migrating our Food products to a machine learning forecasting platform, we have delivered significant improvements in availability over the last four years, growing food availability levels by 190 basis points. As a result, we have achieved the biggest improvement in customer satisfaction for availability of all major competitors over the same time period.

We continue to deliver outstanding customer service, with our overall satisfaction scores consistently ahead of the other full-choice grocers. We believe that happy, well engaged colleagues deliver great customer service and in January we announced our investment in an above inflation pay award for our colleagues, leading the industry for the third year in a row.

Growing food space to bring more of our range to more customers

We are building on the strength of our grocery performance and our winning combination of quality, value and service to bring more of Sainsbury's food to more customers in more locations and improving ranges, the customer experience and the efficiency of many of our stores.

This year, we acquired 14 new supermarket sites in key target locations from Homebase and Co-op, the majority of which we expect to convert and open in 2025/26. Combined with our organic store opening programme, we expect to open 15 new supermarkets in 2025/26 and over the next two years, our new supermarket openings will add over 400,000 sq ft of new space, our most significant investment in new supermarket space for many years. This will bring over 700,000 more people within a 10-minute drive of a Sainsbury's store. We also plan to add another 25 new convenience stores in each of the next two years.

Our three-year 'More for More' plan is on track, investing in our supermarkets to make more of our food range available to more customers by rebalancing space towards food. In 2024/25 we added around 90,000 sq ft of food space, weighted to the second half, and we are planning to add another 90,000 sq ft of food space in 2025/26. We are seeing positive early results in invested stores, with benefits expected to build through the second half of 2025/26 and beyond as we annualise periods of disruption. We are learning as we go, making more of our range and proposition accessible to more customers, creating an environment which enables simple and frictionless shopping missions and improving digital capabilities across our supermarkets.

In January, we shared an update on the changes we're going to make to the way we offer food services in our stores, making it easier to grow and improve availability while keeping costs down. We will close patisserie, hot food and pizza counters and are making popular products available in aisles. We have now closed all remaining Sainsbury's Cafés and we are converting our scratch bakeries to bake-off. From Autumn, we will create new On the Go hubs with flexiserve hot food offerings. These changes will deliver an improved customer experience.

Taking all these elements of space growth into account, we expect to grow total food space in Sainsbury's by nearly three per cent in 2025/26.

Delivering for customers online and in our convenience stores

We've made great progress in transforming our convenience stores this year. By reconfiguring space and optimising our range, we've brought more products to customers and improved the store environment for a simpler, faster shopping experience. This has driven nearly four per cent sales growth in 2024/25 and an increase in market share of 20 basis points. We were the first grocer to launch Aldi Price Match in our convenience stores, extending our value offer and significantly improving our value for money customer satisfaction scores.

We're also investing in new format stores to better serve specific customer missions. We've opened our first airport store at Edinburgh airport and four new format stores with features like more chilled food space, digital screens, and increased security features.

Online grocery sales have increased by seven per cent year on year and more customers are doing their online shopping with us. They are benefiting from the investments we have made in improving the digital customer journey including better showcasing our product ranges and improving the relevance of suggested basket additions. This has been a key driver of increased basket size, more frequent visits and improved customer satisfaction.

Growth in our OnDemand rapid delivery channel remains very strong, with sales growth of around 80 per cent in the year. We've strengthened our long-term partnerships with external providers and rolled out the offer to over 1,200 locations, serving a significant portion of the population.



Delivering on our outcomes continued



First choice for food continued

Playing a leading role in driving resilience and improving sustainability in the UK food system

We are leading work to create a new culture of collaboration and long-term partnership to deliver shared value and build resilient supply chains, which will enable us to offer good food to our customers now and in the future.

In March 2025, we announced a ten-year partnership with Cranswick to set new standards in pig welfare and to provide more stability for the 170 farmers in the Sainsbury's Pork Producer Group as they invest in farms and factories to build resilience for the future. Together we will invest more than £60 million to implement these new higher standards by 2030, during which time we also aim to offer *Taste the Difference* pork that meets net zero criteria by 2029 and *by Sainsbury's* fresh pork by 2030 – all whilst protecting value for our customers.

This year we also launched the Sainsbury's Egg Group in collaboration with our egg farmers and became the first retailer globally to invest in Vet Vision AI technology to measure and enhance positive animal welfare on dairy farms.

For the second year running we were awarded both the Marine Stewardship Council UK Supermarket of the Year and Aquaculture Stewardship Council UK Retailer of the Year. We also delivered leading packaging innovations moving to vacuum pack all lamb mince and introducing pulp trays for fresh salmon and trout, along with cardboard packaging for our fresh breaded chicken and fish products.

We continue to help provide good food for all, raising £33.8 million for good causes this year and redistributing 18.3 million meals to communities, increasing the amount of surplus food redistributed by 31 per cent through the roll out of our partnership with Olio to all stores and ongoing redistribution through Neighbourly.

Improving performance in the products and services that sit alongside our food offer

Sainsbury's general merchandise and clothing delivered higher profits on sales that were in line with the prior year. Margins benefited from the combination of stronger clothing sales and lower household electrical and toys sales as we continue to focus ranges and reduce space allocation in some categories.

Clothing sales grew by 2.9 per cent, with particularly strong growth of 12.3 per cent in Q4. Our renewed focus on design and range in womenswear resulted in strong sales growth of five per cent. The actions we have taken to improve availability and expand our basics range delivered growth in essentials sales of nearly four per cent.

Sainsbury's general merchandise sales were down 2.8 per cent, driven by space reductions as we've implemented space reallocations into food and softer demand for categories such as household electricals and toys. We delivered particularly strong results in our home accessories and fragrance categories and we continue to make good progress in repositioning the Habitat brand, with a positive customer response to our design-led collaborations.

Smart Charge, our ultra-rapid electric vehicle (EV) charging network, is now established in over 75 supermarket locations with more than 600 ultra-rapid EV charging bays. The sites are maturing rapidly, delivering double-digit revenue growth month-on-month on average. Twenty five per cent of all electric vehicles entering our Smart Charge Sainsbury's car parks now charge with us, up from fifteen percent at launch. We invested £25 million in Smart Charge rollout in 2024/25 and looking ahead, we will focus on building revenues in our top supermarkets.

In focus: Our biggest investment in new space in over a decade

We are building on the strength of our grocery performance and our winning combination of quality, value and service to bring more Sainsbury's food to more customers in more locations. At the same time, we're focused on improving ranges, enhancing customer experience and making many of our stores more efficient.

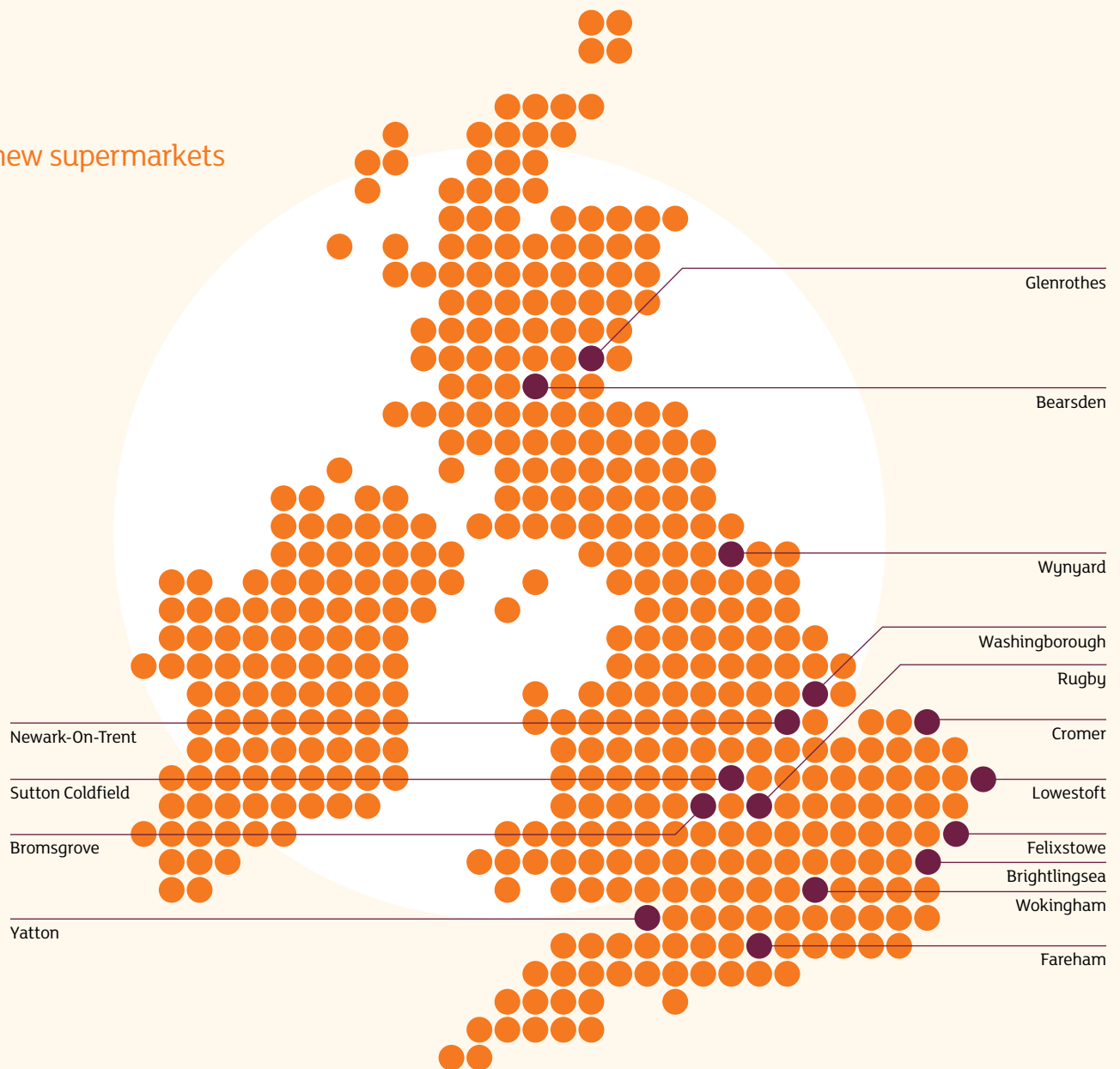
More fresh
food

to more
people

in more,
easy to reach
locations



Our new supermarkets



40 new stores “

Will open in the coming year –
15 supermarkets and 25 convenience stores

Over 700,000 more people

Will be within a ten-minute drive of a
Sainsbury's store over the next two years

400,000 sq ft of space

Will be added to our supermarket
estate over the next two years

Our belief in the strength of Sainsbury's offer has driven our decision to make our largest investment in expanding our store space in over a decade as we open new supermarkets in key new locations and extend food space within many of our existing stores.

Simon Roberts
Chief Executive



Delivering on our outcomes continued



Loyalty everyone loves

Customers love our personalised and rewarding Nectar loyalty scheme. Nectar Prices have transformed the way that customers experience value at Sainsbury's, with the purple of Nectar now synonymous with value. As value perception has improved, we have built a bigger base of loyal primary customers and this in turn benefits our Nectar360 Retail Media offering.

Fuelled by our connection to customers, Nectar360 continues to deliver profitable growth and improved client satisfaction. We are expanding the Nectar coalition, delivering leading data and insights to brands and agencies that work with us and investing to scale our Digital Retail Media offer. In the year ahead, we will further expand our personalisation capabilities in loyalty. In addition, we are making high returning investments to accelerate the growth of Nectar360 – further digitising our stores through our connected screen network. We will launch a new industry-leading platform to better connect clients to our full suite of retail media and measurement services.

Growing customer loyalty through the 'power of purple'

Nectar Prices has delivered over £2 billion in savings to our customers this year. With more than 9,000 offers available, participation has increased to over 85 per cent, reaching record levels during the Christmas period. We're going even further to showcase Nectar Prices in store, rolling out more Nectar branding as well as offering greater opportunities for brands to connect directly with customers through displays and digitised in-store media.

More than one million customers are already enjoying personalised savings each week through Your Nectar Prices, available on SmartShop and Online. This has delivered significant savings to customers and we're further enhancing the strength of our value offer as we work towards generating up to 500 million personalised offers a week. We're also focused on growing our active digital Nectar users by enhancing the Nectar app's digital integration and user experience.

Investing to accelerate growth in Nectar360, ahead of plan to deliver at least £100 million incremental profit by March 2027

Over 900 clients and media agencies now partner with Nectar360 to get the best return on their advertising spend. Our enhanced retail media capabilities, leading data and insights, and commitment to exemplary client service have led to a four percentage point improvement in overall client satisfaction year-on-year.

We are accelerating our ambition to create a scaled and connected digital screen network in our stores. With 820 screens already installed in partnership with Clear Channel, we're realising the benefits of connecting with our customers digitally on the shop floor. We're diverting capital towards this high-returning investment, committing to a further 1,600 screens to be rolled out over 2025/26 and into early 2026/27, with a cash payback of less than two years. This will enable brands to communicate directly with customers through more than 2,500 connected digital screens in the future.

The Nectar Coalition continues to grow, achieving a 97 per cent Nectar partner satisfaction score. We've announced exciting new partnerships with Marriott Bonvoy, Severn Trent Water and Smart Charge and extended our partnership with British Airways. Alongside this, our marketing affiliate programme, Nectar eShops, has doubled the number of brands available for customers over the last 18 months, offering them more choice and extending the offers they can access.



More Argos, more often

Following a slow start to the financial year and a significant reduction in online traffic, Argos sales were behind our expectations in the first half of the year, particularly in the first quarter and early weeks of the second quarter. Sales strengthened into the second half as we took action to improve online customer traffic and volume and we returned to sales growth in the fourth quarter. Profits declined year on year in both the first half and the second half, with actions taken during the year improving the trend in the second half.

Within a General Merchandise market that remains highly competitive, our focus is on encouraging customers to shop with us more often and with bigger baskets. To this end, we are driving change in our digital and commercial proposition and we have made some good progress strengthening the Argos offer. We have also continued to reduce the complexity of the Argos operating model whilst still providing market-leading convenience for customers.

Focused on extending our range, increasing desirability and enhancing our digital capabilities

We have reset our approach to trading events to deliver more impactful and focused value activity. We ran five of our new Big Red events during the year, delivering strong improvements in customer satisfaction scores for promotions and value and driving an increase in awareness of the premium brands available at Argos.

We continue to strengthen our partnerships with key supply partners, growing our share at launch moments of the must-have new products from global brands, particularly across Technology, Gaming and Toy categories. Our Lego partnership has expanded and for the first time this Christmas we partnered to run gamified engagement activity online for the 12 days of Christmas, attracting over 100,000 new customers to Argos.

We have improved our own labels in addition to the work over recent years on Habitat. We will focus on five primary owned brands (Habitat, Chad Valley, Bush, Home and McGregor), versus 11 previously. This year will see the range relaunch of McGregor in Garden & DIY and Chad Valley in Toys.

Through our Supplier Direct Fulfilment (SDF) model we have introduced more than 4,000 new products this year across 150 categories. This is a 43 per cent increase year-on-year, with a total of 13,500 SDF products now available. In the year ahead we plan to go further to extend the breadth of our range, with plans to add an additional 10,000 SDF products in key categories such as Household Electronics, Furniture, Computing and Gifting.

Our digital capabilities have strengthened through the year, driving more traffic to our site as we deliver a seamless online experience for customers with greater personalisation. As a result, more customers are shopping with us online and making a recommended "attachment" purchase in the same transaction, increasing items per basket. We will also be modernising the credit offer available on our website and are working closely on a new Argos Pay proposition with NewDay, following its acquisition of the Argos Financial Services cards portfolio. This will launch in early 2026.

Improving operational efficiencies and customer experience

We have been working hard to enhance our operating model, including rightsizing our standalone stores to improve operational efficiency and customer experience. We're also rolling out more digital Collection Points and investing in technology across our Convenience estate to make collections faster and easier. Our improved Argos app now offers increased personalisation and access to promotional activity and a simpler collection experience for users.

We've made significant improvements to our stock management processes, delivering smarter and simpler stock flow. This has optimised working capital and availability across our network, with a 12 per cent reduction in Argos' stockholding year-on-year. We're more actively managing clearance activity to prevent stock accumulation and are using data-driven insights to improve forecast accuracy on buying and ranging.



Save and invest to win

We are making strong progress towards the ambition we laid out in February 2024 and we are confident in our plans to deliver £1 billion of cost savings by March 2027. We achieved savings of around £350 million in 2024/25, bringing total savings over the last four years to over £1.6 billion, and are well underway with a programme of high-returning activity that is already delivering savings as well as driving growth and customer proposition improvements. In addition, our capital investments in efficiency, particularly in technology, will deliver cross-functional savings benefits over the longer-term, giving us clear line of sight to achieving our target.

High returning investments in technology and automation driving efficiencies

We have nearly completed our three-year future front-end programme, optimising checkouts in all our supermarkets and delivering savings of around £70 million over the course of the programme. On average, self-service participation has increased to over 70 per cent of transactions compared to around 40 per cent five years ago. While we have achieved a step up in supermarket volumes, front-end labour costs have reduced, driven by a nine per cent improvement in front-end productivity year-on-year.

We're making good early progress with the next phase of our front-end transformation, aiming to drive growth in SmartShop participation for big basket shops. We're trialling payments on SmartShop handsets, delivering flexibility and speed for customers while reducing the physical infrastructure required.

Our longer-term investments in technology and automation are simplifying our general merchandise logistics network, driving improvements in product availability and efficiency. This will result in a transition from five depots to three network distribution centres. This will begin to deliver savings in FY25/26 and a total benefit of £70 million per year once fully implemented.

We're rolling out video analytics technology in stores to protect colleagues and reduce costs, whilst minimising the impact on customer experience. This technology aims to reduce mis-scanned items at self-service checkouts and has been deployed in 150 stores, with plans to roll out to a further 250 stores over the next financial year.

Our five-year strategic partnership with Microsoft is already delivering good results, providing store colleagues with real-time data and insights to focus in-store processes and using machine learning capabilities to improve efficiencies.

Reflecting our commitment to invest in sustainable technologies, we're now buying 100 per cent of the energy generated from eight wind farms across the UK, with wind energy making up over 30 per cent of our electricity sourcing and the remainder coming from other 100 per cent renewable sources.

Delivering productivity benefits through end-to-end programmes

In January, we announced several propositional changes in our supermarkets to drive growth and availability while reducing costs. These changes include closing all remaining Sainsbury's Cafes, hot food, pizza, and patisserie counters and converting scratch bakeries to bake-off. These adjustments are driving cross-functional benefits, increasing our fresh food selling space, improving product quality and delivering cost savings.

We also reviewed management structures in our Store Support Centres, reducing the number of senior management roles by about 20 per cent in a number of areas to drive faster decision-making and execution while reducing costs.

Additionally, we've completed the main phase of migrating our Food products to machine learning forecasting, entering our second year of using the platform. This has delivered higher sales due to improved availability, better waste metrics and higher forecasting accuracy leading to better working capital management.

Financial Services

Financial Services operating profit grew by 3.4 per cent in the year, driven by lower expenses as a result of a prior year fixed asset write-off and significant actions taken by management to reduce operational costs, partially offset by lower income from the decision to exit core Banking and higher funding costs. We have made good progress over the year in implementing our plan for a phased withdrawal from core Banking services, announcing in June 2024 the sale of Sainsbury's Bank personal loan, credit card and retail deposit portfolios to NatWest Group. We now expect this transaction to complete in May 2025.

In September 2024, we announced the sale of the Sainsbury's Bank ATM business, comprising around 1,370 cash machines, to NoteMachine to provide end-to-end ATM managed services. The deal provides a shared commission income stream.

In October 2024, we announced the sale of the Argos Financial Services cards portfolio to NewDay Group. NewDay acquired beneficial title to the AFS portfolio in February 2025. The AFS cards support around 20 per cent of Argos sales and are held by around two million Argos customers. We additionally announced that we will be partnering with NewDay to create a new Argos-branded digital credit proposition. This will, in time, replace the current Argos credit card propositions with a wider choice of modern, flexible and more convenient ways to manage the cost of purchases.

Following these transactions, we will continue to benefit from financial services income streams which have a stronger connection to our retail offer, including commission income from insurance, travel money and ATMs. We expect the combination of this commission income alongside income from the NewDay partnership to deliver sustainable annual profit from financial services of at least £40 million in the financial year to February 2028.

We expect to return bank disposal proceeds of £250 million via special dividend in the second half of the year, subject to regulatory approval. The special dividend will be accompanied by a proposed share consolidation. Any distributable bank disposal proceeds in excess of £250 million will be used to enhance the share buyback above a core £200 million base.