Preliminary Results

2024/25

Presentation for Debt Investors and Fixed Income Analysts

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Chief Financial Officer

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Sainsbury's

Sainsbury's

Next Level Sainsbury's

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

First choice for food

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

Loyalty everyone loves

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

More Argos, more often

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

Save and invest to win

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

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Building on strong foundations

At our most competitive: £1 billion price investment

Re-invigorated passion for food innovation

Growing long-term supplier partnerships

Record availability, extending leading customer satisfaction

Enhanced Nectar capabilities building competitive advantage

Investing in data, technology and automation capabilities

Working together with our **suppliers**
to deliver for our **customers, colleagues, shareholders**
and the **communities** we serve

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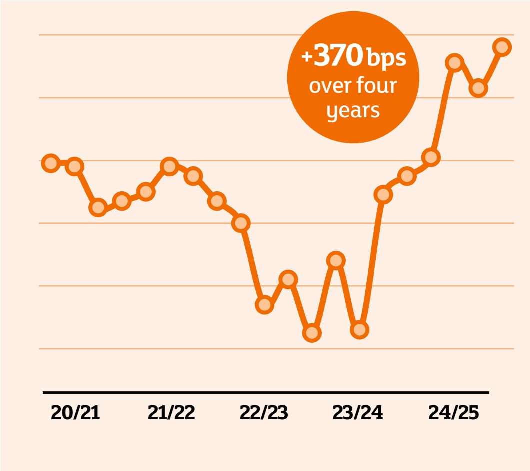
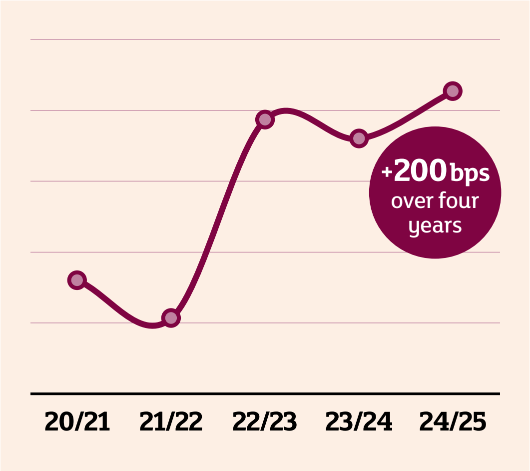
We have fundamentally strengthened our business over the last four years

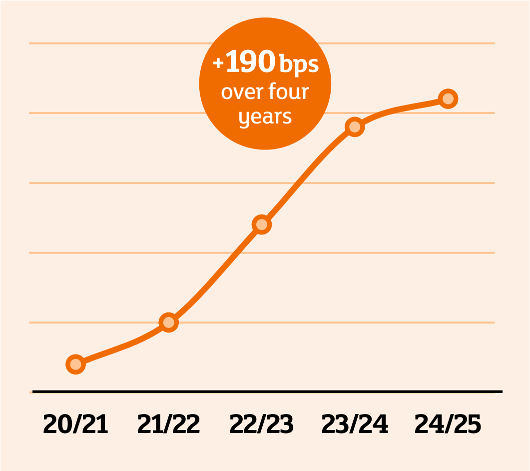
Value perception[1]



Quality perception[2]



Food availability[3]



Winning combination

1. YouGov Brand Index – Supermarket Value for Money perception metric net %
2. YouGov Brand Index – Supermarket Quality perception metric net %
3. Total Food, Systemic Availability. Internal data

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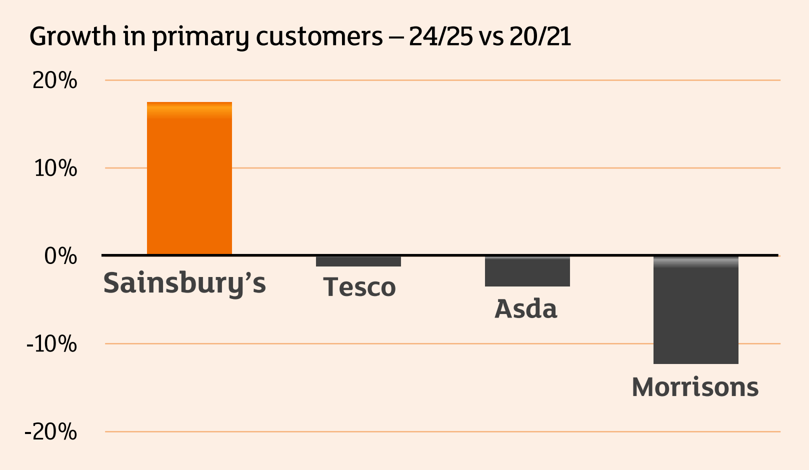
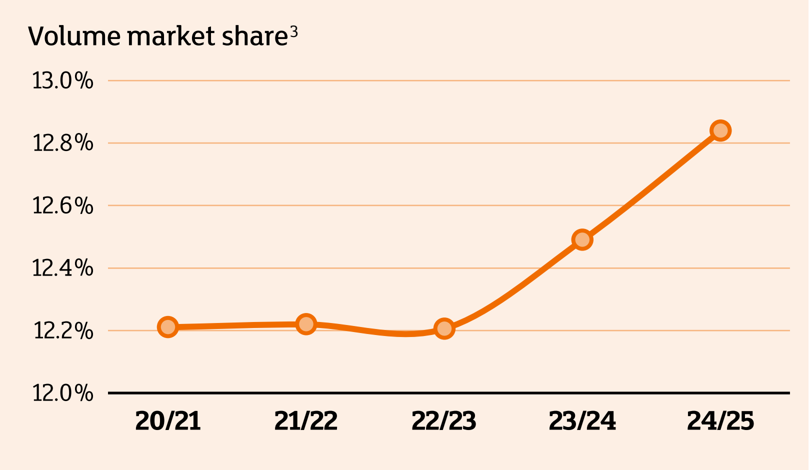
More and more customers are choosing Sainsbury's for their main food shop

Significant growth in primary customers[1]



Biggest market share gains in over a decade[2]



1. Kantar Panel, Total FMCG (excl. Kiosk and Tobacco), Primary shopper number growth FY24/25 vs FY20/21, 52 weeks to 23 February 2025 vs 52 weeks to 28 February 2021
2. Kantar Panel , Grocery universe, Grocery volume market share gains YoY – from FY13/14 to FY 24/25, 52 weeks to 2 March 2025
3. Kantar Panel, Total FMCG (excl. Kiosk and Tobacco), Grocery volume market share gains YoY –52 weeks to 2 March 2025

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Our Commitments

Food volume growth ahead of the market

Customer satisfaction higher 26/27 vs 23/24

Colleague engagement higher 26/27 vs 23/24

Deliver our **Plan for Better commitments**

Deliver profit leverage from sales growth

£1bn cost savings over three years to 26/27

£1.6bn+ retail free cash flow over three years to 26/27

Higher return on capital employed[1]

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

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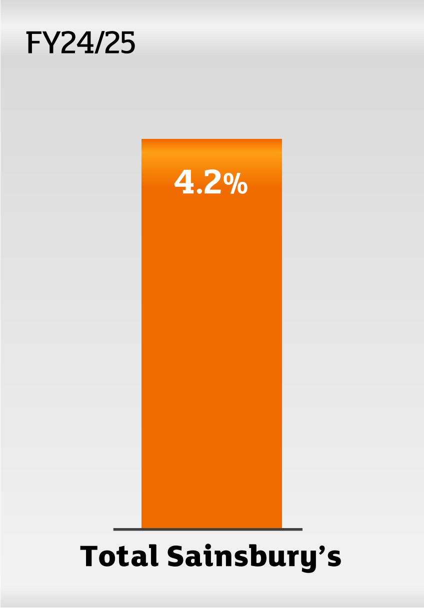
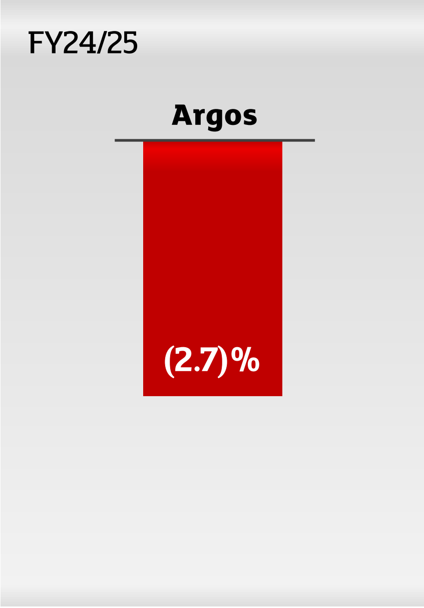
Retail sales growth by category

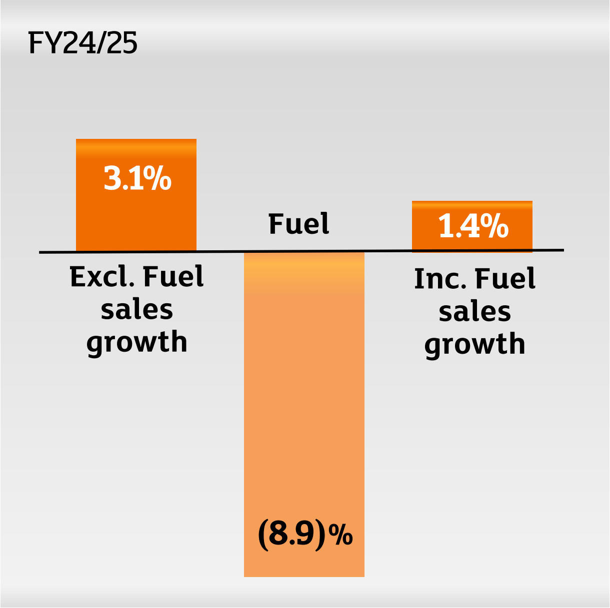
Sainsbury's sales growth[1]



Argos sales growth[2]

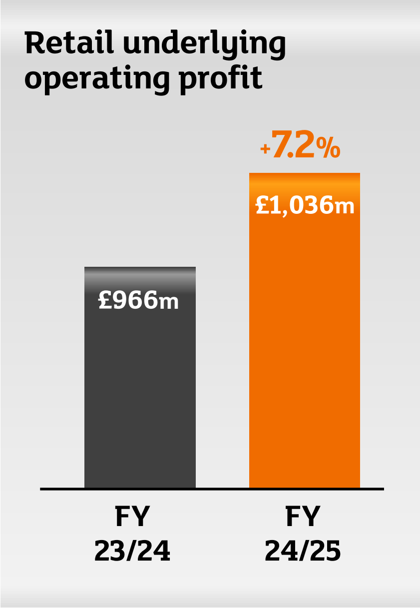


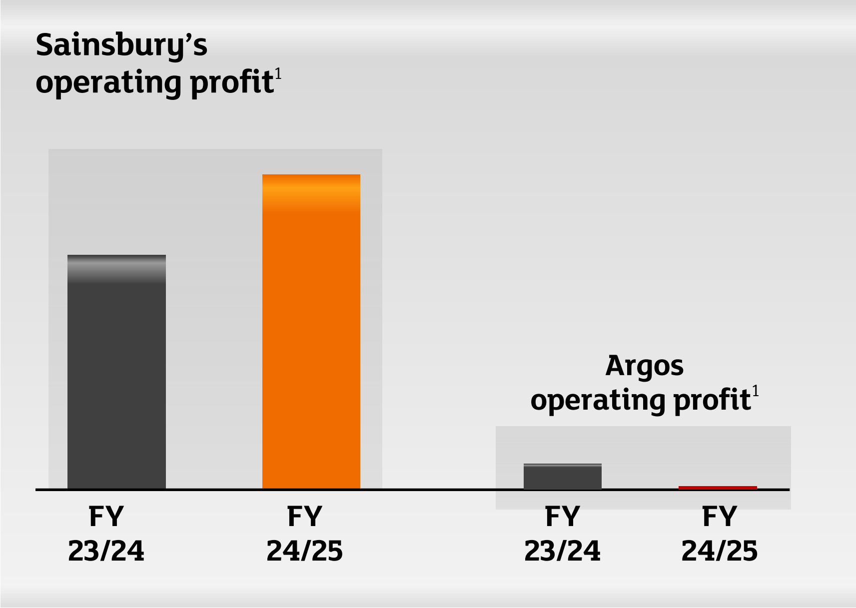
Total Retail sales growth



1. Excl. Fuel, inc. VAT
2. Including Republic of Ireland (ROI)

Retail underlying operating profit





2025/26 Guidance

We expect to deliver Retail underlying operating profit of around £1 billion

1. Operating profit post-allocation of group costs, pre-allocation of store-in-store concession rent costs to Argos

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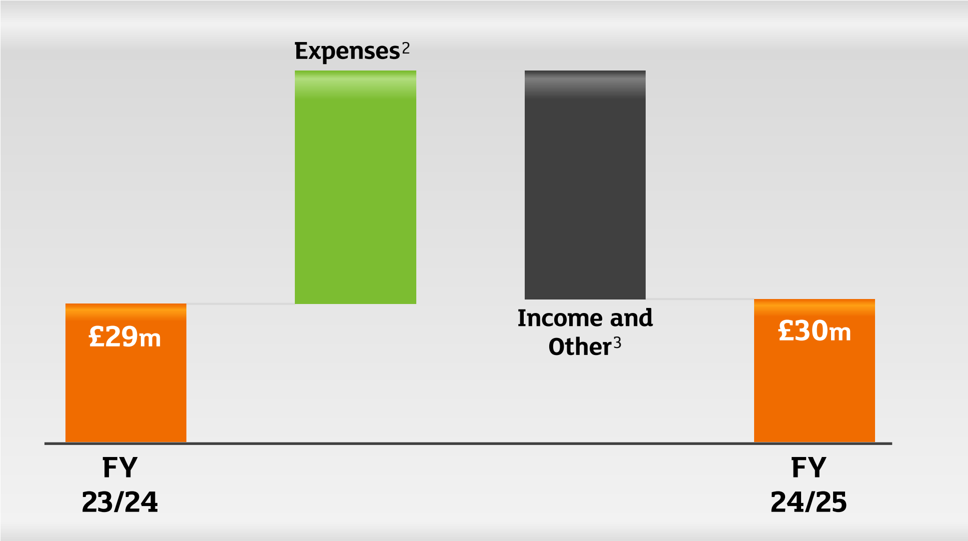
Financial Services

Total underlying operating profit[1]



2025/26 Guidance

We expect Financial Services underlying operating profit on a continuing basis of around £10 million

1. Inclusive of discontinued operations
2. Includes Total Costs and Bad Debt
3. Includes Other gains/ losses and AFS fees and royalties

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Net debt and Retail free cash flow

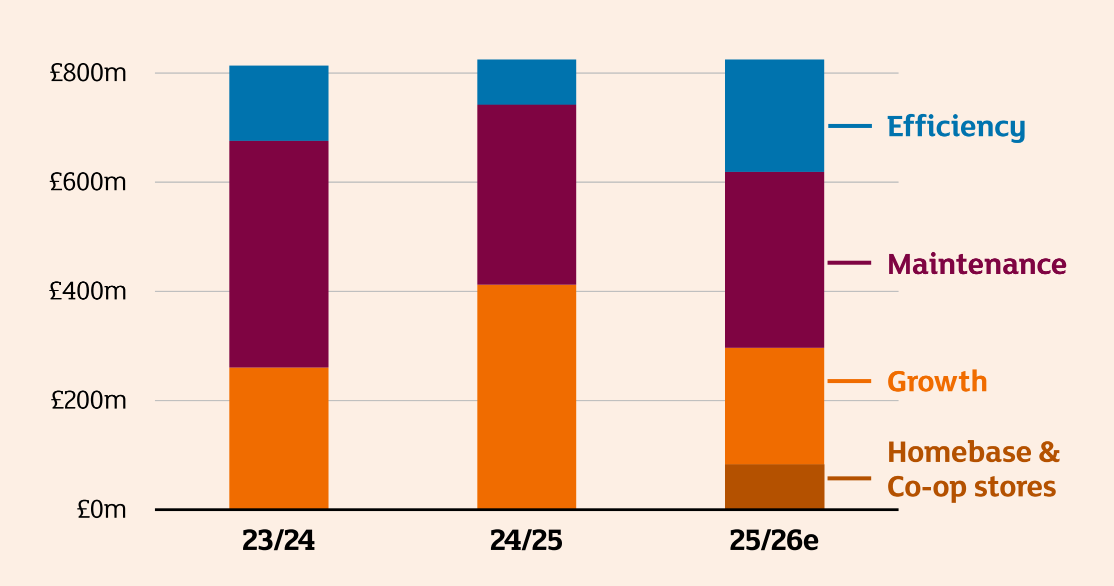
£m	FY 2024/25	FY 2023/24
Net cash from operating activities	1,805	1,921
of which underlying working capital movements	*98*	*262*
of which pension cash contributions	*(45)*	*(44)*
Capital expenditure	(825)	(814)
Disposal proceeds, Interest income	72	43
Lease repayments [1]	(521)	(511)
Retail free cash flow	**531**	**639**
Dividends paid on ordinary shares	(308)	(306)
Share buyback	(200)	-
Highbury & Dragon Store Portfolio acquisition	-	372
Financial Services strategic review	(52)	-
Non-cash lease additions: Homebase, Co-Op, new Head Office	(82)	-
Other [2]	(93)	85
Movement in net debt	**(204)**	**790**
Opening net debt [3]	**(5,554)**	**(6,344)**
Closing net debt [3]	**(5,758)**	**(5,554)**
of which **Lease liabilities**	***(5,494)***	***(5,354)***
of which **Net debt exc. lease liabilities** [3]	***(264)***	***(200)***

2025/26 Guidance

We expect to generate more than £500 million of retail free cash flow in 2025/26, in line with our commitment of generating at least £1.6 billion of retail free cash flow over the three years to 2026/27

1. Includes initial direct costs on right-of-use assets
2. Includes the remaining net movement to lease liabilities, reflecting non-cash additions and modifications in the period offset by payments made. Also includes cash impact of share purchases (excluding share buyback) and proceeds from issuance of shares
3. Net debt definition excludes derivatives not linked to borrowings

Capital expenditure



2025/26 Guidance

We expect core retail cash capital expenditure (excluding Financial Services) in 2025/26 of **£800m to £850m**.

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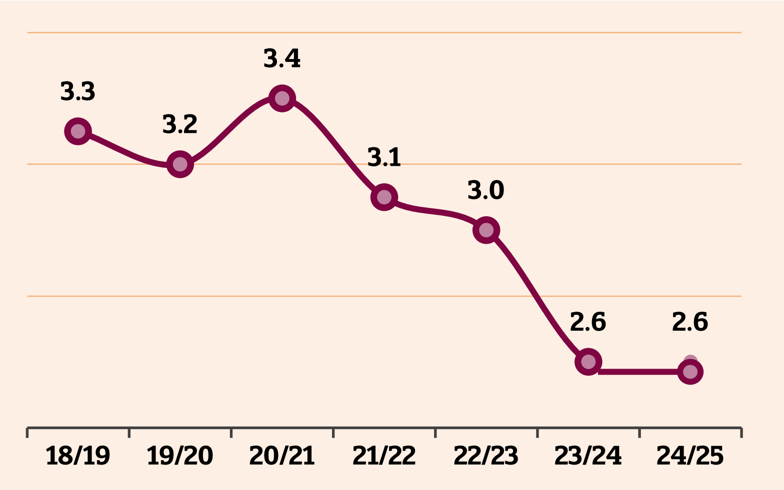
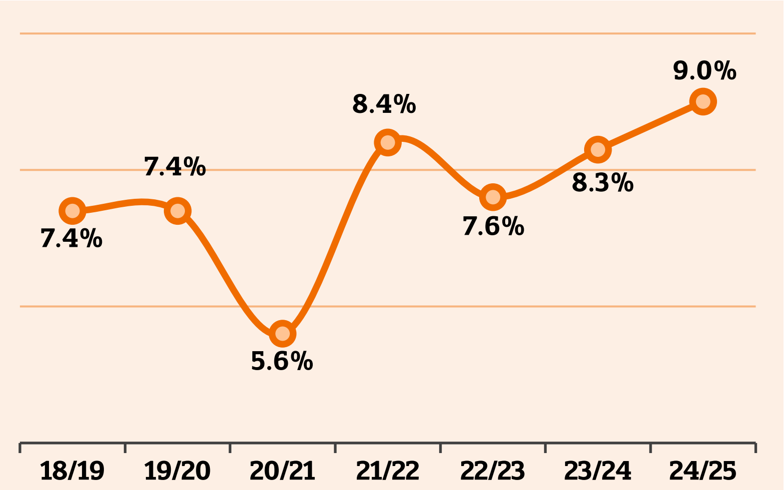
Balance sheet metrics

Net debt / EBITDA[1]



Guidance
We continue to target leverage of net debt to EBITDA of 3.0x to 2.4x

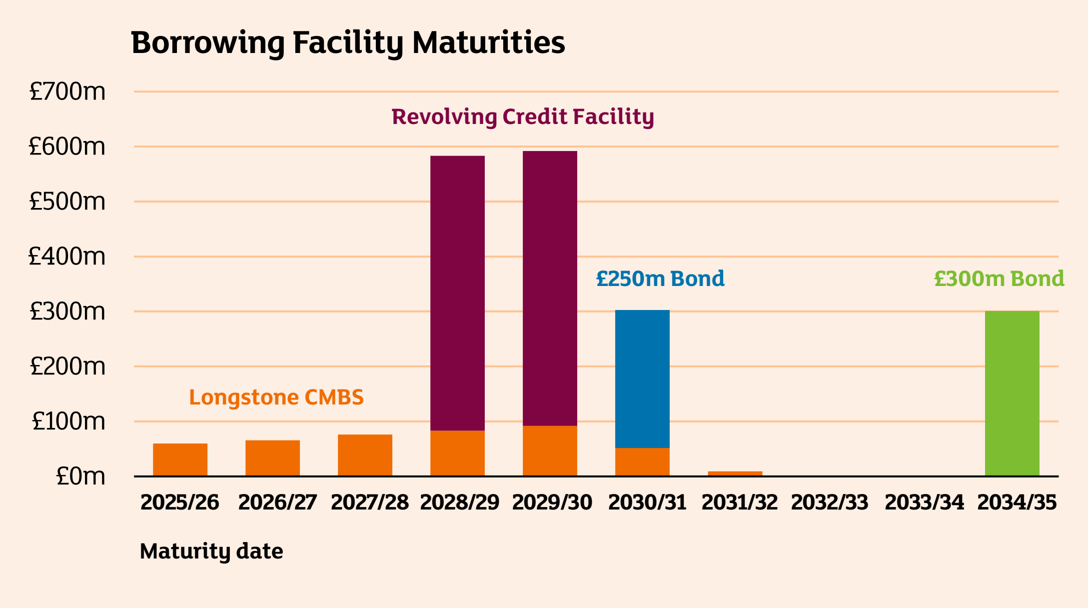
Return on capital employed[2]



FY 25-27 commitment:
Higher return on capital employed

1. Net debt including leases of £5,758 million divided by Group underlying EBITDA of £2,222 million based on a 52 week rolling basis
2. Return is defined as a 52 week rolling underlying profit before interest and tax. Capital employed is defined as group net assets excluding the pension surplus and net debt. The average is calculated on a 14 point basis, on an inclusive of discontinued operations basis

Debt and liquidity



Prudent debt maturity profile

- Modest direct borrowings
- £5bn Euro Medium Term Note programme established in January 2025, with 2 outstanding bonds
- £1bn committed Revolving Credit Facility undrawn with maturity spread over 2028 and 2029
- CMBS loan fully amortises by April 2031
- Supportive banking group comprising 11 international and domestic banks

1. Excludes Sainsbury's Bank Tier 2 Capital

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Credit Ratings

Rating Agency	Long Term Rating	Outlook
Moody's	Baa3	Stable
Standard & Poor's	BBB	Stable

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Summary

What we've delivered in FY 24/25

- Grocery volume growth and operating leverage
- Continued investment into growth and efficiency
- Enhanced cash returns to shareholders

Looking ahead

- Sustaining our strong competitive position
- Continued market outperformance
- Strong cash generation and shareholder returns

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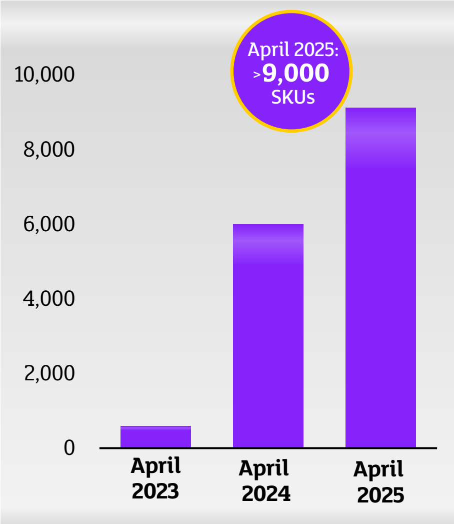
Sustaining our competitive value position

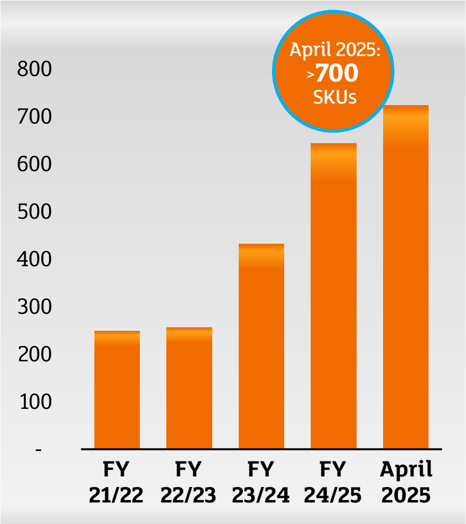
Significant improvement in value index versus all competitors since start of Food First[1]

Competitor	Improvement
Aldi	1,650bps
Lidl	1,270bps
Morrisons	500bps
Asda	450bps
Tesco	230bps

Expansion of Nectar Prices



Growing Aldi Price Match



1. Value Reality, April 2025 vs November 2020; Acuity, internal modelling (Aldi: 26 March 2025 vs November 2020 – most recent available data)

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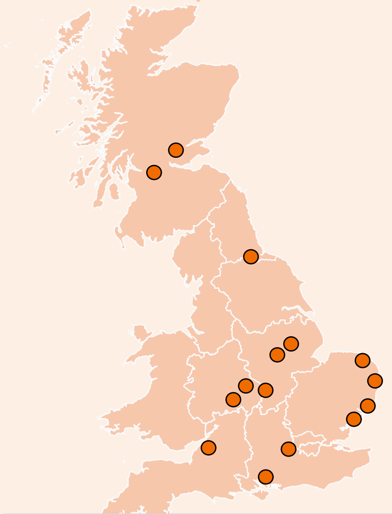
Our biggest investment in space in over a decade

New store openings in target locations



+15 Supermarkets
+25 Convenience Stores

+

'More for more' space rebalances

Customer experience

ROCE

Trading Intensity

+

Propositional changes

↑ Quality

↑ Value

↓ Cost to serve

=

+c.3% Food space in 25/26

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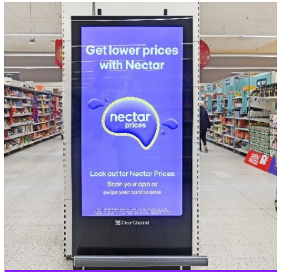
Accelerating into the year ahead

Committed to sustaining our strong competitive position

Delivering biggest space growth in over a decade

Celebrating 25 years of Taste the Difference



Scaling our personalisation capabilities and store digitisation

Investing in technology and automation

Structural cost reduction and productivity improvement

Appendices

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Guidance for 2025/26

Profit
- We expect to deliver Retail underlying operating profit of around £1 billion
- We expect to deliver Financial Services underlying operating profit of around £10 million on a continuing basis

Finance costs
- We expect underlying net finance costs of between £300 million and £310 million, including around £255 million lease interest

Space
- We expect to open 15 supermarkets and 25 new convenience stores, with a modest number of supermarket and convenience store closures
- We expect a net space impact on Retail sales growth of around 0.5 per cent in 2025/26

Depreciation and amortisation
- We expect retail underlying depreciation and amortisation of around £1.2 billion, including around £0.5 billion right of use asset depreciation

Items excluded from underlying results
- We expect to incur non-underlying cash costs relating to Retail restructuring programmes of around £100 million in 2025/26
- We expect to incur total non-underlying cash costs relating to our Next Level Sainsbury's strategy implementation of around £150 million over the three-year programme

Tax rate
- We expect an underlying tax rate of around 30 per cent

Capital allocation
- We will continue our share buyback programme, with at least £200 million of share capital to be bought back over the course of 2025/26
- We expect to return Sainsbury's Bank disposal proceeds of £250 million in the second half of 2025/26 via special dividend. The special dividend will be accompanied by a proposed associated 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

Capital expenditure
- We expect core retail cash capital expenditure (excluding Financial Services) in 2025/26 of £800 million to £850 million

Retail free cash flow
- We expect to generate more than £500 million of retail free cash flow in 2025/26, in line with our commitment of generating at least £1.6 billion of retail free cash flow over the three years to 2026/27

Net Debt
- We continue to target leverage of net debt to EBITDA of 3.0x to 2.4x

Pension
- We expect total pension scheme cash contributions to be around £26 million

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Capital allocation framework: long-term value creation

1	**Invest in the business to support our strategy**	FY25-FY27: £800-£850m capex per annum, retail free cash flow £1.6bn+
2	**A solid investment grade balance sheet**	Target leverage of 3.0x-2.4x net debt/EBITDA
3	**Deliver strong dividends for shareholders**	Progressive dividend policy commencing in FY24/25
4	**Selectively invest in projects to grow or strengthen the business**	Strategic opportunities such as lease buy-ins & EV-charging
5	**Return surplus cash to shareholders**	Share buyback of at least £200m FY25/26, to be reviewed annually

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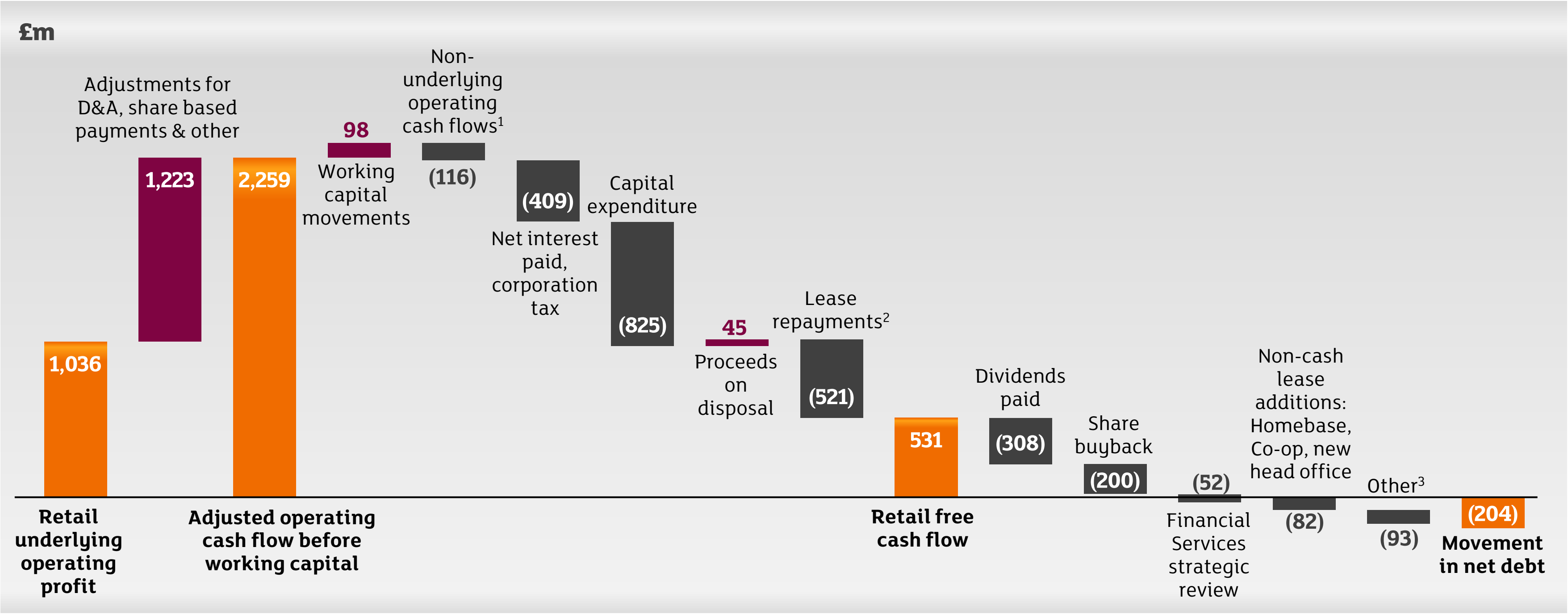
Cash flow and net debt

FY 24/25 Cash Flow



1. Includes pension cash contributions
2. Includes initial direct costs on right-of-use assets. Lease interest paid included in "net interest paid, corporation tax" bar
3. Includes the remaining net movement to lease liabilities, reflecting non-cash additions and modifications in the period offset by payments made. Also includes cash impact of share purchases (excluding share buyback) and proceeds from issuance of shares