10 January 2024

J Sainsbury plc

Third Quarter Trading Statement for the 16 weeks to 6 January 2024

Grocery volume growth driving continued market outperformance

Trading Highlights

More customers are doing more of their grocery shopping at Sainsbury's. We have outperformed the market every week of this financial year and delivered volume growth ahead of the market for a fourth consecutive Christmas. This reflects consistently great value and service, a positive customer response to our first Nectar Prices Christmas and customers trading up to Taste the Difference. While Argos outperformed a weak and highly promotional general merchandise market, sales declined ahead of Christmas against an exceptionally strong performance last year.

- Q3 Grocery sales up 9.3%, Christmas Grocery sales up 8.6%, with stronger volume growth offsetting lower inflation
- Q3 General Merchandise sales down (0.6)%, up 1.5% excluding impact of Argos closure in the Republic of Ireland
- Christmas General Merchandise sales down (3.7)%, (1.3)% excluding impact of Argos closure in the Republic of Ireland, reflecting significant benefit to sales last year from the postal strike and strong demand for energy saving products
- Q3 Clothing sales down (1.7%), Christmas Clothing sales (6.0)%
- Q3 retail (exc. fuel) sales up 6.5%. Like-for-like sales growth up 7.4%. Inc. fuel retail sales up 4.4% with fuel sales down (7.2)%
- **Outlook:** We continue to expect underlying profit before tax in 2023/24 of between £670 million and £700 million, with a strong Grocery performance offsetting weaker General Merchandise and Financial Services contributions. We continue to expect to generate retail free cash flow in 2023/24 of at least £600 million

	YoY Sales Growth	
Total sales performance	**Q3** *16 weeks to 6 Jan 24*	**Christmas** *6 weeks to 6 Jan 24*
Grocery	9.3%	8.6%
General Merchandise*	(0.6)%*	(3.7)%*
Argos	*(0.9)%*	*(4.2)%*
Sainsbury's GM	*0.9%*	*(0.9)%*
Clothing	(1.7)%	(6.0)%
Total Retail (exc. fuel)	**6.5%**	**4.9%**
Like-for-like sales (exc. fuel)	7.4%	

** General Merchandise sales excluding the impact of the closure of Argos stores in the Republic of Ireland were up 1.5% in the 16 weeks to 6 January 2024 and down (1.3)% in the 6 weeks to 6 January 2024*

Simon Roberts, Chief Executive of J Sainsbury plc, said:

"We've worked hard to really deliver for our customers this quarter and have grown grocery volumes ahead of the market for the fourth Christmas in a row. More customers are choosing to shop at Sainsbury's, recognising our determined focus on value, product innovation and service.

"This was our first Christmas powered by Nectar Prices, helping customers save an average of £16 on an £80 Christmas shop. We delivered our best ever value Christmas roast and customers bought record numbers of pigs in blankets, mince pies and sparkling wine. Taste the Difference sales grew ahead of the market as families treated themselves.

"Across the quarter, Argos performed ahead of competitors in a highly promotional market. Argos delivered a strong Black Friday performance but a weaker Christmas against an exceptional performance last year.

"Our success is down to our entire team who consistently deliver market leading customer service. I'd like to thank every one of my colleagues and am pleased we will be kicking off the new financial year with an industry leading pay increase, investing a record £200 million to continue to pay the Real Living Wage across the country.

"We enter 2024 with strong momentum and next month we will share our updated strategy, building on all we've done to put food back at the heart of Sainsbury's over the last three years. There is a lot to be excited about and we remain absolutely committed to deliver for our customers, colleagues and shareholders."

Strategic Highlights

Food First: Our consistent focus on delivering great value, innovation, quality and service has driven sustained sales growth despite significantly lower inflation, with volume growth ahead of the market every week since March.[1]

Value:

- Customers continue to recognise the consistent improvement of our value offer, with our prices improving again versus competitors through the quarter[2], supported by Nectar Prices on more than 6,000 products. For the first time we offered our festive roast through Nectar Prices, feeding six for less than £3 per person – our best value ever
- Nectar participation reached 90 per cent on an £80 weekly shop during the quarter with Nectar Prices helping customers to save £16 on average during Christmas week
- Our focus on fresh food really delivered over Christmas: we grew volumes ahead of the market across the full basket, outperforming in Meat, Fish, Poultry, Dairy, Fruit and Vegetables[3]
- We donated every penny that customers spent on festive vegetables to Comic Relief through our Nourish the Nation partnership. We have donated £6 million through our community initiatives this quarter, helping to tackle food poverty[4]
- We've expanded Aldi Price Match this January to be bigger than ever, including more than 550 essential everyday products

Innovation:

- We launched over 370 new products this quarter including more than 170 Taste the Difference products for Christmas. Standout new products included our Taste the Difference Baos of Holly, Dry Cured Gammon with Wildflower Honeycomb and Home for Christmas chocolate dessert
- We outperformed the premium food market[5] and Taste the Difference sales were up 13 per cent in the quarter as customers treated themselves at home
- We sold record volumes of Taste the Difference cheese in Christmas week, reflecting investments in range, quality and enhanced displays in many stores
- We continue to innovate in packaging and recently announced we're switching our mushroom punnets from plastic to cardboard. This will save over 775 tonnes of plastic per year – our biggest ever single product plastics removal

Service:

- The strength of our grocery performance reflected excellent end to end execution, close relationships with our suppliers and outstanding customer service in the lead up to Christmas. Product availability improved significantly from investment in AI-driven demand forecasting technology. This also resulted in smoother stockflows into stores, benefitting productivity
- Our customer satisfaction scores are consistently ahead of full-choice competitors, with leading scores on the things that matter most to customers: quality, product availability, range, appealing offers, colleague availability and speed of checkout[6]
- Last week we announced our decision to invest £200 million to offer a leading rate of pay for our colleagues, increasing the base rate for retail colleagues to £12.00 per hour nationally and £13.15 per hour in London from March. This is our biggest single investment into colleague pay and represents an increase of 50 per cent over six years
- Our focus on service in Groceries Online delivered improved customer satisfaction[7] and more customers trusted us to deliver their Christmas shop this year. We made it easier for customers to plan ahead by releasing our Christmas home delivery slots in one go and extending our delivery window on Christmas Eve
- We have worked hard to deliver great fresh food availability for customers while reducing the levels of unsold food in store. In line with our commitment that no good food goes to waste, we have donated more than four million meals through our front of store donation programme and our partnership with Neighbourly. We have also committed to donating a further one million fresh meals this Winter as part of the Coronation Food Project

Brands that Deliver: Argos outperformed[8] a highly promotional general merchandise market over the quarter. Excluding the impact of the closure of stores in the Republic of Ireland, Q3 sales increased 1.7 per cent, as customers chose Argos for desirable brands, impactful deals, strong availability and convenience. However, sales were weaker ahead of Christmas against an exceptional performance last year when we benefitted significantly from the postal strike and from strong demand for energy saving products.

- We performed strongly over the Black Friday period with customers looking to buy earlier for Christmas, particularly in Furniture, Electronics and Toys categories
- Tu clothing regained some momentum in a market that remains highly promotional, partially reflecting unseasonably warm weather, particularly over Christmas. Partywear and family Christmas pyjamas were popular with customers
- Financial Services performance continues to be impacted by net interest margin compression, as we are not fully passing on higher funding costs on bank deposits to customers

Like-for-like sales performance	2022/23				2023/24 YoY			2023/24 YoY exc. Argos ROI		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1	Q2	Q3
Like-for-like sales (excl. fuel)	(4.0)%	3.7%	5.9%	7.8%	9.8%	6.6%	7.4%	10.0%	6.6%	7.4%
Like-for-like sales (incl. fuel)	2.9%	7.7%	6.8%	5.9%	3.9%	2.2%	5.3%	4.0%	2.2%	5.3%

Total sales performance	2022/23				2023/24 YoY			2023/24 YoY exc. Argos ROI[9]		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1	Q2	Q3
Grocery	(2.4)%	3.8%	5.6%	7.4%	11.0%	8.9%	9.3%	11.0%	8.9%	9.3%
Total General Merchandise	(11.2)%	1.2%	4.6%	7.6%	4.0%	(2.6)%	(0.6)%	4.9%	(0.6)%	1.5%
GM (Argos)	*(10.5)%*	*1.6%*	*4.5%*	*9.3%*	*5.1%*	*(2.6)%*	*(0.9)%*	*6.1%*	*(0.1)%*	*1.7%*
GM (Sainsbury's)	*(14.6)%*	*(1.3)%*	*5.4%*	*(1.0)%*	*(1.2)%*	*(2.7)%*	*0.9%*	*(1.2)%*	*(2.7)%*	*0.9%*
Clothing	(10.1)%	(0.2)%	1.3%	(1.9)%	(3.7)%	(14.6)%	(1.7)%	(3.7)%	(14.6)%	(1.7)%
Total Retail (excl. fuel)	**(4.5)%**	**3.1%**	**5.2%**	**7.1%**	**9.2%**	**5.8%**	**6.5%**	**9.3%**	**6.2%**	**7.1%**
Fuel	48.3%	29.1%	12.2%	(2.8)%	(21.4)%	(17.1)%	(7.2)%	(21.4)%	(17.1)%	(7.2)%
Total Retail (incl. fuel)	**2.5%**	**7.2%**	**6.2%**	**5.4%**	**3.3%**	**1.5%**	**4.4%**	**3.5%**	**1.9%**	**4.9%**

Notes

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results referred to in these forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

A webcast presentation and live Q&A will be held at 9:15 (GMT). This will be available to view on our website at the following link: https://sainsbury-q3-trading-statement-2023-24-analyst-q-a-call-jan-24.open-exchange.net/registration

A recorded copy of the webcast and Q&A call, alongside slides and a transcript of the presentation will be available at www.about.sainsburys.co.uk/investors/results-reports-and-presentations following the event.

Sainsbury's will host its Strategy Update on 7 February 2024.

Sainsbury's will announce its Preliminary Results for the year ending 2 March 2024 on 25 April 2024.

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1. Nielsen EPOS data – Sainsbury's weekly volume growth differential to market. Weekly data from 5 March to 30 December 2023
2. Value Reality, Q3 2023/24 versus Q3 2022/23; Acuity, internal modelling
3. Nielsen EPOS YoY unit growth: Sainsbury's growth vs Total Outlets growth. 4 weeks to 23 December 2023
4. Nourish the Nation Q3 donation providing support to long-standing partner Comic Relief, key food redistribution partners and local charities
5. Kantar Worldpanel - Premium tier volume performance 12 weeks to 24 December 2023
6. Competitor benchmarking survey. Q3 2023/24 Supermarket CSAT scores 12 weeks to 9 December 2023
7. Competitor benchmarking survey. Q3 YoY Groceries Online CSAT scores 12 weeks to 9 December 2023 versus 12 weeks to 10 December 2022
8. BRC data, 3 months to 30 December 2023. Argos differential, Total NFNC (exc. H&B & stationery) sales
9. General Merchandise sales excluding the impact of the closure of Argos stores in the Republic of Ireland in the 6 weeks to 6 January 2024 were down (1.3)% (Argos sales down (1.4)%, Total Retail exc. fuel sales up 5.5%)