J Sainsbury plc
Q1 Trading Statement
Tuesday, 30 June 2026

Presentation

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Operator

Hello and welcome to the Sainsbury's 2026/27 Trading Statement Analyst Q&A call. On the call this morning is Simon Roberts, Chief Executive, and Bláthnaid Bergin, Chief Financial Officer. I will now hand over to Simon Roberts for the presentation.

Simon Roberts
Chief Executive Officer

Well, thank you and a very good morning, everyone. Thank you for joining us this morning and welcome to our First Quarter Trading Statement covering the 16 weeks to 20th June. I'm going to cover our trading performance up front and then Bláthnaid and I will be happy of course to take your questions.

But before we get into the results update, I just want to call out actually the immense job done by all of our colleagues, farmers, suppliers, refrigeration contractors, our entire team in last week's exceptional weather conditions, which came fully in the first week of our second quarter. We had a strong sales week last week in both Sainsbury's and Argos but not without some operational challenges given the unprecedented temperatures across so much of the UK.

It really was a phenomenal team effort with all of our team working around the clock to make sure we recovered as quickly as we could and into this week, of course, in preparation for another heatwave to come next week. So, a big thank you to all of our team and all of our partners who supported.

So, you'll remember this slide from when we last spoke together in April. When I shared it with you then I said that we were well placed to navigate the year ahead and that through doing the right thing for our customers, colleagues, suppliers, and farmers we would continue to outperform the market and strengthen our business.

Now 16 weeks in, we're doing exactly what we committed to do. We've made an encouraging start to the new financial year with continued volume growth and market outperformance. We know how tough it is for customers out there. The cost of living is still very much top of mind and customers are looking for value now more than ever. So, it's been key to maintain a relentless focus on value giving customers reassurance that week in week out they can rely on Sainsbury's for their big weekly trolley shop.

But we know that for customers being first choice for where they do their big shop is about more than just keeping our prices low. It's also about delivering outstanding quality, inspirational and exciting product innovation and being the supermarket customers trust for consistent availability, freshness and service.

Now we've made big progress across all elements of our winning combination in the quarter and the operational momentum we have in the business is driving continued strong execution where it matters most to our customers. This is underpinned by the investments we're making in refreshing our stores, by improving the digital experience with greater personalisation, with the technology that's improving the shopping trip, AI and automation and driving efficiency in our operation and supported by the strength of our £1 billion cost saving programme.

The strength of our customer offer is evident in our sales performance for the quarter with grocery sales growth of 3.6% reflecting slightly lower inflation quarter on quarter and continued volume growth against a particularly tough comparative period last year.

Tu Clothing and Sainsbury's General Merchandise sales were down year on year reflecting very strong performance last year. Tu outperformed the soft market, and we continue to benefit from improved availability and improved style credentials while General Merchandise sales were impacted by some seasonal weakness but more significantly by our ongoing and planned programme to tighten ranges and reduce space allocation in favour of food.

Encouraging volume growth in Argos was offset by the impact of lower average selling price with sales marginally down by 0.5%.

So, looking here at the Nielsen EPOS read of market share, in a quarter which has been characterised by a number of headwinds, a more cautious consumer and a comparative impacted by cyber issues and seasonally less strong weather, we have continued to outperform the market. Our outperformance narrowed a little this quarter, but we fully expected this and we continue to expect to outperform the market by around 1% this year.

What this really demonstrates is the continued strength of our customer offer across value, quality, availability and service and how well we have executed our plan for customers. This has been particularly true in the moments that really matter, the key events and occasions where customers are choosing Sainsbury's to celebrate. It is these moments that really played to our core brand strengths in fresh food, in innovation, in quality and in service.

Now when the sun shone and demand was at its highest, we fully captured the benefit with outstanding fresh food availability and lots of summer newness across barbecue and sharing plates. As a result alongside these key events we outperformed the market during the May heatwave. As I've already said, we have had a positive start to the second quarter last week.

We continue to remain tightly focused on giving customers the confidence that they can trust us for reliable value, and you can see here our price position at the end of this first quarter versus the end of the 2025/26 financial year. As a reminder, the value index we are showing you here is across the widest comparison we can make although worth noting it doesn't reflect the additional value we're offering to customers through personalised Your Nectar Prices.

The orange line is showing price parity and as you can see, we have strengthened our value position versus most price competitive retailers. It is the consistency of our delivery on value that customers are really responding to with value perception improving year on year.

We've maintained the biggest Aldi Price Match in the market for over a year now and customers continue to respond positively to the breadth of range available in both our supermarkets and our convenience stores and more and more customers are benefiting from the great value of Nectar Prices now on around 11,000 products and, of course, personalised Your Nectar Prices.

We now have almost one million more customers regularly using digital Nectar to access savings in Sainsbury's and across the full coalition and as you know this is the fuel that powers our Nectar360 retail media business. So, this increased participation is also helping us to further accelerate growth there.

Now we've delivered another strong performance in Taste the Difference this quarter with growth on growth against an outstanding quarter last year. Our passion for innovation remains a key point of difference. We've launched 380 new products this quarter, 50% of which are Taste the Difference, expanding our delicious deli and picnic ranges as well as extending our restaurant quality discovery range to barbecue to make sure customers are well set for every occasion this summer.

Our work in innovation is also supporting our strengthened 2030 health commitment which we launched this quarter, as you saw in the video at the beginning of the call. We know that customers are increasingly focused on making more conscious healthy food choices and so we are going further to make healthy everyday essentials more accessible and affordable with a real focus on fibre, fruit and vegetables.

We're launching a number of new and reformulated products, and we've introduced full-on fibre labelling across more than 500 products, over 100 of which are included in Aldi Price Match or Nectar Prices. Now so much of our progress here on leading innovation and our outstanding quality and freshness is only because of the strength of our long-term partnerships with farmers and suppliers. They are the driving force behind our surety of supply and summer favourites such as delicious British berries, and this means we can deliver consistently great quality at great value for our customers.

As we amplify our strengths in quality and extend our premium ranges, customers are noticing. This quarter we've moved closer to the quality perception of our premium competitors and with the brilliant work of our innovation team and our strong pipeline, particularly on discovery, we are confident we'll make further progress here.

But what is equally good to see is that we're extending our lead on quality perception against the rest of the market as well because quality isn't just about Taste the Difference, it's about the standard of our products across the full basket, our range and the strong availability and the freshness we maintain right across the shop and it's that that's really resonating with our customers.

It is this combination, our winning combination of value, quality, availability and service which is driving our momentum and continued outperformance in the market. We continue to lead on customer satisfaction in supermarkets, widening the gap again this quarter and we've improved our service in groceries online as well. This really reflects the strong operational momentum we have in the business and the end-to-end focus we're now achieving, having brought together the leadership of our stores, supply chain and logistics. This is now delivering a step change in availability.

We've been really focused across the entire business this year on improving all aspects of the shopping trip for customers. We know that the amounts of change we have been making to a number of stores has disrupted customers over the last 18 months so we set out this year to ease some of the pinch points as we make changes but also on helping customers recover faster after we make change and the stats here across key customer perception scores show good progress in key areas particularly availability.

Now we talked in April about the fact we put in place a fully dedicated Argos management team. There is sharper focus and a new energy in the business. We've made good progress extending choice through more supply direct fulfilled additions, improving the digital journey and driving higher app participation and we've introduced AI-led stock forecasting and routing for the first time already delivering significant benefits.

We've also launched Argos Pay through our partnership with NewDay. More than 100,000 customers have opened accounts since the February launch, and we are underway with transitioning existing Argos credit customers across.

As you can see from the chart on the right-hand side, we've delivered another quarter of volume growth despite some significant drag in seasonal areas like garden furniture with a much slower colder and wetter start to the summer. We did have some benefit to sales of fans in the May heat wave week, but the main drivers of volume growth have been homeware and toys. Now as we've highlighted before these are lower ticket categories so alongside continued pricing pressure in a very competitive market this is driving average selling price dilution to sales growth.

So, in conclusion it's been an encouraging start to the year. Against a lot of headwinds we have continued to outperform the market, and we've grown volumes in grocery and at Argos. We've kept a super tight focus on value, we've executed well with a really strong operational performance and we're continuing to accentuate our real points of difference across quality, range, availability and excellent service and this has reflected improvements in customer satisfaction and very strong colleague engagement.

We're confident we'll continue to outperform the grocery market. Our guidance on profit and cash is unchanged. I am sure we'll have plenty of questions about that and there's a good degree of caution still in there. This reflects the fact that consumer sentiment is not strong with a good deal of uncertainty on how things will shape up for them and there was a lot of uncertainty still in terms of exactly how the impact of the conflict in the Middle East will impact the economy and consumers.

Our guidance range gives us the capacity to make the right balanced choices to support our customers. The consistent momentum of our business has proved time and time again that it is right for us to do this, building a stronger business that delivers for all our stakeholders.

So, thank you for taking the time to listen and with that Bláthnaid and I will now be very happy to take your questions. Thank you.

Question and Answer Session

Operator

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 have dialled in, please press star nine on your handset now. To keep things as fair as possible please only ask one question per person. If we get additional time, please rejoin the queue by re-raising your hand or pressing star nine and we will try to get back to you.

We will pause for a moment to allow questions to enter the queue. The first question is from Manjari Dhar at RBC. Please unmute yourself and begin with your question.

Simon Roberts

Hello Manjari, good morning.

Manjari Dhar, RBC

Hello Simon.

Bláthnaid Bergin

Hello, Manjari.

Manjari Dhar, RBC

Morning Simon, morning Bláthnaid. Thank you for taking my question. I'll keep it to one since we were asked to. I was just wondering on Argos, I guess, given the volume growth you've seen and the productivity improvements coming through, does that change your view on profit expectations for that business this year and how should we maybe think about it heading into the coming years? Thank you.

Bláthnaid Bergin

Why don't I take that? We're encouraged with the volume growth at Argos, but we're only 16 weeks into the year. We still have the summer and peak to play out, so our guidance at the moment is profits flat year on year and let's see how the year plays out on that.

Manjari Dhar, RBC

Great, thank you.

Simon Roberts

Thanks, Manjari.

Operator

The next question is from Izabel Dobreva at Morgan Stanley. Please unmute yourself and begin with your question.

Simon Roberts

Izabel, good morning.

Izabel Dobreva, Morgan Stanley

Hello, good morning.

Izabel Dobreva, Morgan Stanley

I have, I guess, only one question. Could you comment a little bit on the competitive environment in each of your businesses? Because in grocery, industry data suggests promotions have been stepping up for over 30 consecutive periods now. So, how would you characterise the level of promotional activity in the grocery market and what return you're getting on those promotions in terms of volume elasticities? Are you seeing any change in competitive intensity there? Then also in General Merchandise, you've noted that ASP is trending down. Is that the usual consumer weakness or are you seeing step-up in competition in that segment as well?

Simon Roberts

Thank you. Okay. Well, let me take Grocery and then we'll talk on General Merchandise. Look, I think maybe a couple of key themes are very clear here. Look, I think the first thing is, as we've seen, volumes in grocery have stepped back, volume down in the industry over this period, volume a bit up for us. So, I think it's very clear to see that the continued focus on a very strong value offer is incredibly important. That's been the route which we've secured volume growth again in the quarter.

The market look continues to behave very rationally as well to your question for all the obvious reasons. I think there's a really clear focus on providing customers with value for money and that's meaning that whilst volume is down, promotional spend is up a bit. I think the branded manufacturers are very keen to make sure obviously that volumes are protected as much as possible.

Having Nectar Prices is incredibly important for us as a platform because it means we can give customers both value in their shop, but also personalised value as well. We work very closely with our suppliers to make sure that that promotional investment goes in the best place to support volume but also give customers clearly what they want.

So, I don't think we're going to see any lessening of the focus on value over the balance this year. Consumers are very concerned about the cost of living. As you've seen in our statement today, value for money is absolutely at the front of mind for customers. So, our job is to make sure we work closely with our suppliers, we have the right promotions in the areas that customers value most, and that customers continue to feel a very strong level of trust in the value they can save week in week out.

I think in terms of inflation that the question is where do we see inflation go from this point? That obviously has a bearing on volumes as we look ahead. Look, I think the reality is inflation actually stepped back a bit in the First Quarter compared to Quarter Four. There's definitely pressure in the system. I guess the question is to what extent will we see inflation tick up over the months ahead.

We certainly think by the mid-summer, we'll start to see some of the pressure building from the fresh food supply chains. But I think overall encouraging to see a lot of the trade bodies adjusting down some of the estimates that they suggested earlier in the year, and that all links back to what will clearly happen with volume.

In General Merchandise, it's a different situation given obviously a much more subdued customer. What we saw in Argos actually was volumes up in the quarter, which we were encouraged by. We had a strong plan for the quarter, and the team did a really good job to make sure we were where customers were and we met customers with an offer that was going to work for them.

Categories like Toys and Homeware saw strong performance, but higher ticket items are more challenging, particularly Furniture and high ticket item Electricals - despite a bit of a pickup on TVs into the World Cup. So, I don't think we're going to see a change in the GM market. That's the reason why, as Bláthnaid said earlier, we are very focused on driving the transformation for Argos, but we broadly see profits flat year on year, given promotion intensity in the market and given a more subdued consumer outlook.

Izabel Dobreva, Morgan Stanley

Thank you.

Simon Roberts

Thanks.

Operator

The next question is from Rob Joyce at Exane BNP Paribas. Please unmute yourself and begin with your question.

Simon Roberts

Hello Rob, good morning.

Rob Joyce, Exane BNP Paribas

Good morning, Simon, morning Bláthnaid. Thanks for taking the question. Just I'm trying to understand now where we sit versus the Full Year sort of Group guidance. If we continue at the levels you've seen in the First Quarter, are we tracking towards the top end of the range of that guidance? Just within that, the pricing improvement versus the rest of your peers, has that been driven by you or do you think the market's come towards you? Thank you.

Simon Roberts

Thanks Rob. Look, I think, I mean, maybe just a couple of points I would make just before getting into the full year. Look, I think we've seen an encouraging start to the year. We're pleased with our momentum. I think we've outperformed again, and we've taken some share and that's been despite some considerable headwinds.

So, I think, where we are as we look ahead is exactly what we said in April, which is we can see a clear route to growing Retail operating profit year on year. We've shared with you already we expect an additional profit flow from Financial Services of around £20 million. So, that leads us to a Retail profit growth year on year with the £20 million, somewhere around £1,045 million - we can see a route to, which clearly is towards the upper end of our guidance.

Now we've clearly got a range and that's because there's still a lot of uncertainty out there, how consumers will behave, the situation in the Middle East. So, we're pleased with the momentum, but too early at this point in the year to be able to predict how the second quarter and the rest of the year will play out, which is the reason why we've held our guidance where it is.

Rob Joyce, Exane BNP Paribas

Thank you. Just if you had time on the price, the relative pricing, quite a noticeable improvement there.

Simon Roberts

Yes, I mean, look, I think, as you know, we've been incredibly focused on our value position. What we've done in the quarter is stay very focused within the tram lines of what we've set out to achieve. Biggest price match in the markets and Nectar Prices on around 11,000 products. What we've done there is continue to execute that plan with a strong focus on the centre of the plate, which is enabling us to win the big basket. It's working very well with customers.

I made the point last time we talked that customers are really responding to the fact we've got a proven formula, and we continue to stick with it. So, customers, when they come to Sainsbury's, know exactly what they get. We haven't chosen or specifically decided to move our price position relative to others. We've done what we set out to do. That's what you can see in that pricing index. As a result of that, our position continues to be strong. We continue to execute exactly what we've always committed to do.

I make that point linked to your first question whilst our ongoing commitment to grow Retail operating profit year on year. We continue to be very strong value, but we expect to see profit up year on year and we're very focused and we have a clear plan to deliver to that.

Rob Joyce, Exane BNP Paribas

Very clear. Thank you.

Simon Roberts

Thanks, Rob.

Operator

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

Simon Roberts

Hello, Matt.

Bláthnaid Bergin

Hi Matt.

Matt Clements, Barclays

Morning. Thank you for taking my question. Hi, good morning. It's just on Retail Media, a quick one. Have you seen a material step up in activity into the World Cup? If so, is that kind of optionality in your outlook or is that something you've factored in?

Simon Roberts

So, maybe on Retail Media, Bláthnaid, we can just give a bit of a sense of how we're feeling about our progress on the Retail Media front. I can maybe come back a bit on from the World Cup behaviour.

Bláthnaid Bergin

So, look, we're really pleased with the progress in Retail Media. We committed at the start of this plan to deliver an incremental £100 million profit. We're well on track with that. When we gave the guidance at the start of this year, we knew there was going to be a World Cup. So, that was factored into that guidance as well and our thinking around what the opportunity there was for us.

Simon Roberts

I think it's obviously a really significant opportunity with not only the World Cup, but a big summer of sport to make sure that our product offer is really meeting customers with what they expect, but also opportunities for more customers to buy into Nectar Prices and Your Nectar Prices.

What we've seen is, as I mentioned earlier to Izabel's question, we’ve got a real opportunity to work with our suppliers and key partners to make sure that we bring the offers and promotions that are most attractive to customers at the moment. That obviously is bringing more customers into the Nectar ecosystem. Therefore, the value of that is clearly one of the key drivers of what we then take into Nectar360.

So, lots of really strong momentum there and this summer, we'll continue to accelerate that. Thank you.

Operator

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

Simon Roberts

Hello Will. Good morning.

Bláthnaid Bergin

Good morning, Will.

Will Woods, Bernstein

Hi, good morning. The first question is just on the UK consumer. Obviously, you've said that volumes were down in the quarter. The clothing market was a little bit softer. Obviously, your Taste the Difference sales have slowed down, even though that's on pretty tough comps. Do you think you've seen any slowdown in the consumer through Q1? Do you think there's any kind of bifurcation in the consumer behaviour? Thanks.

Simon Roberts

Thanks, Will. Maybe just a couple of key points in our statement today. Well, the first point to make is we grew volume and took share in the quarter. I think that shows the strength of our offer relative to the wider market and how it continues to really deliver for customers.

Actually, to your point, we saw clearly volume growth. But on Taste the Difference to your specific point, when you look at the level of growth year on year on year on year we're delivering, which was something over 18% in the First Quarter last year. So, we're delighted with our Taste the Difference performance. If you look at that alongside also the further improvements in quality perception to others, it just shows the strength of how that brand's coming through.

So, I think in the Grocery business, clearly volume stepped down a bit because the comps last year presented some tougher comps in places. But overall, we're pleased with the performance when you take in the round all of the headwinds of last year and the wider consumer situation.

I think on General Merchandise and Clothing, a couple of things to say there. Look, I think on General Merchandise, we have a very clear and planned programme to take space from GM and invest that in food. That's one of the things, as you know, we've set out to do over the last few years through Next Level. That's really working for us and that's one of the reasons why the GM sales level stepped back a bit. But also, clearly, GM was held back a bit by seasonal year on year. A very strong quarter one last year with the weather. Softer this year. So, that pulled a bit of sales out of the GM performance.

The same on Clothing. Actually, we took share on Clothing in the Quarter again. So, the strength of the Tu performance compared to others came through. But obviously, the overall market and Clothing was softer given the weather and given some of the other factors. So, net-net, when you stand back from this, actually, we're really encouraged with our relative performance to the market. As we get our offer stronger and stronger, and more and more customers do their big weekly shop with us, we continue to convert more customers into the brand.

Will Woods, Bernstein

Excellent. Thank you.

Operator

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

Simon Roberts

Hello Sreedhar, good morning.

Sreedhar Mahamkali, UBS

Good morning, Simon. Hi, good morning. Quick one then, just to go back to your point, Simon, on Argos transformation. You talked about a sharper focus on new energy under

Graham's team. You talked about a couple of efficiencies. Maybe it's a bit more of a mid-term question, not this quarter, not necessarily even this year - does that give you a greater confidence in transformation in terms of cost and also the top line over the medium to long term?

Simon Roberts

Yes, thanks, Sreedhar. Well, I think I'm sure between Bláthnaid and I, there's actually some really important progress starting to build here. I think the three big points are that we said we would commit to.

Improve our range: assortment at Argos is super important for customers, and we've added thousands more products on Supplier Direct Fulfilment, and obviously we're building up our marketplace preparations for this year.

On digital conversion and giving customers a much better journey in Argos as more customers come into the Argos app.

Then specifically on your question, I think as we put a really dedicated focus on efficiency and cost. We're seeing more opportunities than we saw before to become more productive, right, Bláthnaid?

Bláthnaid Bergin

Yes. Look, Simon mentioned in his script a little bit about some of what we're doing on availability and how we're using AI. That will help us drive a better customer proposition in the locations that our customer wants it and really get the availability going on Argos as well.

Then you add to that, Argos Pay, which we launched earlier in the year. It's doing incredibly well. New customers coming in, a more moderate offer, and it's really appealing to our customers, enabling the sale.

When I stand back and I look at what we've done on Supplier Direct Fulfilled, what's about to land on marketplace, how we've augmented that with the financial services offer, and the focus on the team on cost and efficiency – the dedicated management team is really starting to come into its own, so really pleased.

Sreedhar Mahamkali, UBS

Thank you.

Simon Roberts

Thanks Sreedhar.

Bláthnaid Bergin

Thanks Sreedhar.

Operator

From Xavier Le Mené at Bank of America. Please unmute yourself and begin with your question.

Simon Roberts
Hello, Xavier.

Xavier Le Mené, Bank of America

Yes. Thank you for taking my question. Hi. You deliver another quarter of, we can say, strong growth and market share gain, but can you just give me a sense of how much is structural, what is linked potentially to range availability, loyalty versus potentially price investment?

Talking about price investment, do you think that – or would you change potentially to invest more, whatever, the cost savings you've got on the other side if the competition was to get tougher or would stick to the cost savings to invest in prices?

Simon Roberts

Thank you. Okay, well, let's take the broad picture of what we've been doing on value and then specifically what do we think's driven it in the quarter.

Look, I think as you know, we've invested over the time of our Food First and Next Level Plan around £1.3 billion in food value. We made that investment much earlier in the plan, and we continue to see the benefits of that in customers trusting the value offer with the biggest price match in the market, as I say, and the strength of Nectar Prices.

I think what we're seeing in the quarter that we've just reported is the benefit of our ongoing consistency in our value. Then in addition to that, a real step up in product availability. We've really been seeing fantastic response across the business in raising our ambition on availability, and we're seeing now the best availability that we've seen in a long period of time consistently.

That coming alongside the value position is giving customers more and more confidence they can not only get the value they expect, but they can get everything they want each time they shop, both in store and online.

Then combined with that, the innovation and quality position that we talked about. Sainsbury's brand has always been famous for its quality. I think what we're seeing is, as we get our value and availability stronger, the strength of our quality position becomes even clearer to customers.

You saw in the charts, how much we're gaining further advantage compared to the rest of the market and the premium retailers too. I think it's a combination of all those things, which means that we're winning more of the weekly shop, and that's the core underpin of our growth in volume again in the quarter.

Obviously, a tougher market volume. Our volume also stepped back compared to where we were in the previous period, but growing year on year. As I said in the opening comments, we continue to expect volume outperformance of around 1% for this year. That's what we've planned for, that's what we're on track to deliver, and it shows our plan is very much focused on delivering for customers.

But then to your second question, it's very much about having the right balance between investment in value and delivering a growth in Retail operating profit this year, and that's what we as a team are very focused on doing. We expect to grow Retail operating profit year on year, whilst at the same time delivering customers the value they expect and trust from us.

Xavier Le Mené, Bank of America

Thank you. Very clear.

Simon Roberts

Thank you.

Bláthnaid Bergin

Thank you, Xavier.

Operator

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

Simon Roberts

Morning, Clive.

Bláthnaid Bergin

Hi, Clive.

Clive Black, Shore Capital

Morning team. I'm in the middle of nowhere, so won't put my camera on. In terms of food supply chain and your noise today, you're talking today around wellbeing, health and wellbeing. To what extent are they linked? To what extent is this a new development for Sainsbury's, and what does it mean for shareholders? Thank you.

Simon Roberts

Thanks Clive. Look, I think a couple of key themes here maybe just to your question. The first thing you've heard, you've heard us talk, I think, pretty consistently now about the importance of our long-term supplier partnerships, particularly in fresh food. I think what we've seen in this quarter is how critical they are continuing to be in underpinning our performance and what we can deliver for customers.

When I think about the breadth of those partnerships now across so many of our fresh food supply chains and the big step on availability that we've seen, those two things are clearly, absolutely connected. We've had record weeks in a number of key categories that we just couldn't have got the surety of supply before, and that's now something consistently that we're doing in meat and in poultry and fruit and veg.

These are really important foundations that we now have in place, and a fantastic job actually done by so many of our farming partners in helping us deliver that.

Then to your point on health, look, I think as you saw in the video up front with our team there, we really want to demystify what it takes to make healthier choices, and give customers real confidence that the accessible options on healthier choice are available for them at Sainsbury's at a price that's really affordable. As you saw in the film, there are just so many opportunities for us to really lead on this.

We think that Sainsbury's brand is expected to take this kind of position. Our customers are really looking for it, and we've had a really strong response already to Full-on-Fibre. Clearly there's a direct link back to the partnerships with our farmers in being able to source the products that we need to be able to really deliver against healthier choices. This really is all about stronger fresh food supply chains, a real focus on availability, giving customers what they want, and then increasingly giving customers access to healthier choices that they can trust Sainsbury's to deliver. Thanks, Clive.

Clive Black, Shore Capital

Much appreciated, Simon. Thank you.

Operator

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

Simon Roberts

Hi, Ben.

Bláthnaid Bergin

Hi, Ben.

Benjamin Yokyong-Zoega, Deutsche Bank

Thanks very much, and thanks for taking my question. Just one on space reallocation and maybe one on inflation if there's time. On space reallocation, are you able to comment on the quantum of the drag within General Merchandise and Clothing? Or perhaps to ask another way, has there been any step up in the pace of that space rebalancing?

Then on food inflation, you mentioned that pressures in the fresh food supply chain may feed through over summer. Has this largely been a function of higher fuel, energy and freight costs with your long-term suppliers, and has there been any meaningful impact from plastic packaging costs to date?

Simon Roberts

Okay, let's start on the GM question. I mean, I think the key point here is we're delivering exactly the plan that we set out to do, which was, in many of our supermarkets we had very extended GM masses of space with not good enough trading density. What the team have been working through here is, how do we redeploy that space into food? That program's been a really important part of our Next Level Plan.

Space reduced in GM by a bit more than 3% year on year, to give you a kind of sense of the quantum. Now there's still more stores to go through this program. We're taking real confidence from actually our ability to improve trading densities in the store, improve sales as we switch the space from GM into food. It's a bit disruptive because it takes time obviously for the new layout of the store to bed down, but we've learned a lot over the last year about how to take some of that disruption timeframe out.

Yes, roughly 3% of GM space moved into food in the year. More stores to be converted as we come through the rest of this year. Obviously benefits to food as we convert the space.

Then I think on the impacts of inflation as you described, look, I think super clear as we all know, a big component of the cost of food is energy cost. As the cost of energies being under more pressure, hence the inflation pressures in the system. As we said at the start of the call, I think still a lot of noise on inflation. Inflation a bit lower in the first quarter than in the Fourth Quarter, but still a lot of pressure in the system, so we'll have to see where that comes through.

But I think importantly, won't reach some of the higher levels of forecasted inflation perhaps that were suggested earlier in the year by some of the industry bodies. So I think the balance between inflation not lifting too much and keeping a strong or a stronger volume performance, really clear to us all.

Then in terms of the other issues you talked about, plastic packaging, all of the components that are driven by the impact of the increase of oil are obviously on our mind. The work the team are doing is all about trying to make sure we contain inflation as much as possible and working closely with our suppliers to do that. Thanks, Ben.

Benjamin Yokyong-Zoega, Deutsche Bank

Perfect. Thank you very much.

Operator

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

Elizabeth Moore, Citi

Thanks very much.

Simon Roberts

Hi, Elizabeth.

Elizabeth Moore, Citi

Morning, Simon and Bláthnaid. I was just wondering on the Argos and GM performance, obviously you've got that headwind from space, but even assuming that that was about 300 bps on GM, why you think Argos sales outperformed General Merch so much? Just any colour there, that would be really helpful. Thank you.

Simon Roberts

Yes, I mean, I think, we would say as you know, we're well down the track of the focus on the Argos plan, and I think what came through in the quarter, it was clearly not as strong seasonal performance in Quarter One compared to last year. Last year, the sun shone for many more weeks than it did in Quarter One this year, and so actually the Argos performance was perhaps even more encouraging given the weather comp that we faced last year.

As I said, we did particularly well in areas like Toys and Homeware, which were really good value, good availability. I think the team did a really good job in making sure we had good availability and good value where customers wanted to shop.

I think the GM offer in the supermarkets was definitely – as we delivered our plan change in space, clearly was held back a bit by that, but also the seasonal impact. We have a big seasonal dependency in Sainsbury's GM on very warm weather as well, and so the impact of the year on year comp there brought some softness in the GM number too.

Elizabeth Moore, Citi

Perfect. Thank you very much.

Simon Roberts

Thank you.

Bláthnaid Bergin

Thank you, Elizabeth.

Operator

The next question is from François Digard at Kepler Cheuvreux. Please unmute yourself and begin with your question.

Simon Roberts

François, good morning.

François Digard, Kepler Cheuvreux

Good morning. Just to follow up on the space reallocation, you mentioned 3% of reallocation. Is it just that General Merchandise had 3% less space, but is it from the total store or does it – is it simply duplicable? Do we have to understand that it's 3% more space for food or is it a bit more complex than that? Can you quantify the food sales uplift on profit density benefit from this space reallocation versus the lost GM contribution? Thank you.

Simon Roberts

Okay, François, I mean, just to be clear, a 3% reduction in GM doesn't equate to a 3% increase in Food space because the space of GM is clearly much smaller in the overall store. We've reduced our GM space by around 3% in the year, and we'll continue through the course of the rest of this year, actually, particularly in some of our larger stores, to move space from GM to food.

It's a program that's really working because obviously, as customers change the way they shop, we can tighten the ranges in GM. Actually, we can achieve a higher sales density on a smaller committed amount of space, but also we can invest that space both in ranges in food but also in giving more space to higher selling SKUs in food, which helps our efficiency plan. So that's the overall picture of what we're doing here.

But broadly to your question, we've seen actually benefits to food in two areas of space. Obviously we opened some new stores in the period, and we said last time we talked to you that our new stores program was adding about 0.5% and then in food, obviously dependent on the store, as we move space from GM, we invest that space in the core areas of the food offer that we think are going to be most able to drive both the profit density and improvement of the offer for customers. So that's what we're continuing to do.

Overall, in the three years, we will convert north of 100 stores but as I say, it's 3% reduction in GM space is the key number there.

François Digard, Kepler Cheuvreux

Do you have the dependence in the sense that 3% less in GM equals to how much more in food?

Simon Roberts

Yes, I'm not going to give you a specific quantum to that but I mean broadly what you can see if that we're reducing space in GM, we're investing it in food, we're investing it in fresh food. If you were to go to our supermarkets you can see broadly the proportion of space. In most of our supermarkets before we begun this program broadly two-thirds of the space would be food and about a third would be clothing and GM. Within the clothing and GM space, about half GM and about half clothing. So from that broad picture of our space you can get to somewhere towards 1% improvement in food space, but it is dependent on the stores that we convert.

François Digard, Kepler Cheuvreux

Perfect, thank you very much.

Operator

The next question is from Izabel Dobreva at Morgan Stanley. Please unmute yourself and begin with your question.

Simon Roberts

Hello again Izabel.

Izabel Dobreva, Morgan Stanley

Thank you for allowing me a second question.

Simon Roberts

Sure.

Izabel Dobreva, Morgan Stanley

I wanted to come back on the topic of the guidance. So having listened to everything you have outlined, it sounds like towards the top end the guidance implies growth in the Retail profit somewhere between 1.5% and 2.5% but at the same time you've mentioned that you aim to outgrow the market in terms of sales by one point. There's the benefits of Retail Media. You've said that the market pricing is still rational. So how would I then reconcile that versus the guidance?

The reason I ask is because if I try to see what your guidance implies for the Sainsbury's margin, excluding Argos, it implies that it's probably going to be down, unless, of course, you have a much more muted assumption on volumes for the market. So, why would the margin be down and is that the right interpretation? Could you just help us reconcile that.

Simon Roberts

Thank you. Well, let me say a couple of things here and then Bláthnaid, if you want to come in of course and add to it.

Look, I think three points I would make, Izabel, to your question, the first thing is we're 16 weeks into the year, so we're still at an early point in the year and there's still a lot of uncertainty, which is why the guidance we set out in April and how we described that is absolutely the case today. We expect to grow Retail Profit year on year. We've given a clear picture of what that looks like. The £1,025 million outturn last year plus Financial Services gets us to around £1,045 million and we've a plan that's very focused on delivering that.

At the same time, we're seeing strong volume performance relative to the market and that's the combination of, obviously, our focus on value and the other elements of the offer. We expect to outperform the market by around 1% this year. Clearly, to deliver Retail operating profit growth year-on-year we expect to deliver a positive margin outcome.

So, we've got a lot of the year still to come and I would just make the point about balanced choices being so important to us in the environment that's out there and we will continue to make balanced choices in order to deliver the profit outcome we've committed to but at the same time, continue to grow our volume, right Bláthnaid.

Bláthnaid Bergin

Yes, great. Just to build on that, margin will always be diluted by inflation, particularly the fuel price inflation as well that we see coming through. So that's the dynamic we see coming through in the P&L, which to Simon's point, we will make balanced choices as we travel through the year. What we've committed to is growing our Retail operating profit year on year with the incremental financial services income as well on that.

Simon Roberts

The only other point, Izabel, we haven't mentioned in that draw together obviously is the continued delivery of Nectar360. As we grow our volume and as we talked earlier, one of the things that's important there is we continue to convert that increased Nectar participation into the strength of Nectar360. We're very encouraged with the continued progress there.

Izabel Dobreva, Morgan Stanley

Thank you very much. Just one quick follow up, if I may. In terms of the ability to absorb the headwinds from the balanced choices through cost savings, am I to understand that a lot of the cost savings will be allocated into the Argos P&L this year?

Bláthnaid Bergin

So, what we've guided in Argos is flat profits year on year and we will make the choices as we travel through the year on how we deliver that and where we invest in the Argos proposition on that. So there will be some and some. We haven't disclosed the exact split on the cost savings.

Simon Roberts

Yes, and I think more broadly, the £1 billion cost saving ambition we're very focused on what we need to do in this final year to achieve that and that's clearly resulting to your question with then strong plans in Argos and in strong plans in Sainsbury's too. I'd reflect that in the First Quarter of the year we're on track in delivering our cost savings at the same time as we've seen an improvement in our customer satisfaction performance. I think that shows exactly the balance that we need to achieve, which is improving what we do for customers, finding costs and efficiencies and delivering improvements in our Retail operating profit across the whole business this year.

Bláthnaid Bergin

I think the other thing as well, if we stand back from Argos we've got the dedicated leadership team in place and this is a real set up year for them. So, they've got good momentum at the moment in what they're doing on the range, what they're doing on the proposition and how they're really getting after the cost saving program as well. So, let's give them some space to make sure that they put in a really strong foundation and deliver well for the future from that.

Simon Roberts

Thanks Izabel.

Bláthnaid Bergin

Thank you.

Izabel Dobreva, Morgan Stanley

Thank you.

Operator

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

Sreedhar Mahamkali, UBS

Thank you for taking a follow up there. Simon, just to go back to the value index. This time it hasn't improved versus all of your competitors but I also realise this doesn't include the personalised investments.

Simon Roberts

Yes.

Sreedhar Mahamkali, UBS

If you could just talk through that. I think historically – maybe last year, not necessarily historically – I think you talked about a fourth or a third of the price investment through personalised investment, is that still where that is? Including that would it have improved the value index rate of improvement across all of the peer group?

Simon Roberts

Yes, I mean thanks Sreedhar. Just to reiterate to the earlier point, we didn't set out to improve our value performance against competitors in the way that the quarter put out. We set out to deliver the value commitment we've always delivered against and we've done that because that's what our customers best respond to.

So, when you look at our performance here what we've done is we've clearly made sure that we've managed passing through inflation the best way that we can, because we need to get inflation through to the shelf, of course, where there is inflation through, but doing that in a way that makes sure customers continue to trust the offer that we have.

I think – specifically to your question, within the range that you talk about that's broadly right. A proportion of our value investment continues to go into personalised Your Nectar Prices. Actually, we're finding the traction of that becoming even more sticky with customers, particularly as we come to a further period of time where you can access Your Nectar Prices at the main bank of supermarkets as well. As you've seen, we've seen more customers using Your Nectar Prices.

So, it's a very important part of our value equation and we flex it and invest in it at different times of the year to make sure that in the total picture of our value we're getting the best return in how we invest in value and in how customers respond. So yes, around a quarter to a third is a good basis for the way we think about that.

Sreedhar Mahamkali, UBS

Thank you.

Simon Roberts

Thank you. Okay, just to check, there's no final questions?

Operator

That was our final question.

Simon Roberts

All right, great. Well, look, thank you very much everyone for joining Bláthnaid and I. Good to be able to share the first quarter results with you. Obviously we're into the Second Quarter now after a really strong start last week with the weather, so more hot weather to come. Let's hope for some more good results in the football to come too. Thanks for your time this morning. Catch up soon.

End