

Second Quarter Trading Statement for the 12 weeks to 21 September 2019 and Capital Markets Day

Improved sales momentum across all areas of the business

Second Quarter Trading Statement

- Stronger trading across Grocery, General Merchandise and Clothing
 - Further improvement in our performance relative to the market, particularly Grocery¹
- Second quarter total retail sales up 0.1 per cent (excl. fuel), with like-for-like sales down (0.2) per cent (excl. fuel)
- Grocery sales increased by 0.6 per cent
- General Merchandise sales declined by (2.0) per cent and Clothing sales increased by 3.3 per cent

Capital Markets Day

Confident in the core as we create one multi brand, multi channel business

- Investing in our customer offer: value, service, store estate and digital
 - Continued improvements in grocery value, strong customer response
 - Fit for the future store operating model driving greater customer satisfaction
- Confident in our ability to sustainably fund this investment
- Unique opportunity to structurally reduce costs by c.£500m over five years as we bring our businesses together, in addition to ongoing cost savings to cover the impact of cost inflation
- Financial Services five year plan:
 - immediately stop new mortgage sales
 - no more Group capital injections after £35m in 2019/20²
 - reduce cost: income ratio to c.50%
 - double UPBT, deliver double digit ROCE and return cash to the Group²
- Store estate review and growth plans will result in: c.10 new supermarkets and 10-15 closures; c.80 new Argos in Sainsbury's and 60-70 Argos closures; c.110 new convenience stores and 30-40 closures
 - We expect the closures to deliver an ongoing net operating profit benefit of c.£20m per year. We expect the one-off cost of closures and impairments to be £230m to £270m, of which the cash cost will be £30m to £40m
- New longer-term asset-backed pension plan agreed, providing greater security to the Scheme
 - Cash contributions reduced immediately by c.£50m p.a. on average
 - 2018 triennial valuation deficit down to £538m, from £1,055m in 2015
- Three year net debt reduction target increased to at least £750m, from £600m
 - Reduction of at least £300m expected in 2019/20

We are confident that we can grow sales and sustainably fund investment in our value, service, store estate and digital proposition. This drives our confidence in strong ongoing free cash flow generation, which will continue to support dividend payments (policy unchanged at 2x cover) and net debt reduction, improving financial flexibility and resilience.

¹ Grocery: Nielsen Panel, Total FMCG, 12 weeks to 7 September 2019, General Merchandise: BRC, GfK and NPD tracked market data, Clothing: Kantar 24 weeks to 25 August 2019

² Subject to regulatory approval

Commenting on second quarter trading, Mike Coupe, Chief Executive Officer, said:

“Sales momentum was stronger in all areas and we further improved our performance relative to our competitors, particularly in Grocery. We have focused on reducing prices on every day food and grocery products and expanding our range of value brands, which have been very popular with customers. At the same time, we are investing significantly in our supermarkets, driving consistent improvements to service and availability.

“Argos continued to grow market share in key categories¹, but sales were impacted by reduced promotional activity and the timing of new product releases in gaming and toys. Clothing sales were boosted by clearance activity and strong online growth and *Tu* continued to grow market share¹. Financial Services sales were in line with expectations.”

Outlook

We expect first half underlying profit before tax to reduce by c.£50m year on year due to the combined impacts of the phasing of cost savings, unseasonal weather against a strong comparative period last year and higher marketing costs. However, in the second half we expect to benefit from the annualisation of last year’s colleague wage increase and a normalisation of marketing costs and weather comparatives. Therefore, while retail markets remain highly competitive and the consumer outlook remains uncertain, we remain on track to deliver full year 2019/20 underlying profit before tax in line with consensus expectations³.

We will publish Interim Results for the 28 weeks to 21 September 2019 on Thursday 7 November 2019 and, as previously outlined, will provide a more detailed update on IFRS16 restatement impacts on Wednesday 16 October 2019.

Capital Markets Day

J Sainsbury plc is hosting a Capital Markets Day today in Southampton. Sainsbury’s management team will host a store visit in the morning and deliver a series of presentations in the afternoon. Presentation materials and a more detailed summary of the day’s content will be posted on <https://www.about.sainsburys.co.uk/investors/results-reports-and-presentations> during the afternoon. A recording of the presentation and Q&A will be made available the following day. No material new information will be disclosed during the event.

Our Capital Markets Day will cover six priorities:

1. Be competitive on price
2. Offer distinctive products and new categories
3. Make shopping convenient, supported by great service
4. Drive efficiency to invest in the customer offer
5. Grow connected services
6. Provide a seamless customer experience

³ 2019/20 UPBT consensus estimate of £632m, as published on 28 June 2019 on www.about.sainsburys.co.uk/investors/analyst-consensus

Second Quarter Trading

Like-for-like sales growth	2018/19				2019/20	
	Q1	Q2	Q3	Q4	Q1	Q2
Like-for-like sales (exc. fuel)	0.2%	1.0%	(1.1)%	(0.9)%	(1.6)%	(0.2)%
Like-for-like sales (inc. fuel)	2.6%	3.4%	0.3%	(0.5)%	(1.0)%	(0.4)%

Total sales growth	2018/19				2019/20	
	Q1	Q2	Q3	Q4	Q1	Q2
Grocery	0.5%	2.0%	0.4%	(0.6)%	(0.5)%	0.6%
General Merchandise	1.7%	1.2%	(2.3)%	1.5%	(3.1)%	(2.0)%
Clothing	0.8%	(3.4)%	(0.2)%	(1.6)%	(4.5)%	3.3%
Total Retail (excl. fuel)	0.8%	1.7%	(0.4)%	(0.2)%	(1.2)%	0.1%
Total Retail (inc. fuel)	3.2%	3.9%	0.8%	0.0%	(0.6)%	0.1%

Investor Relations Enquiries

James Collins +44 (0) 7801 813 074

Media Enquiries

Rebecca Reilly +44 (0) 20 7695 7295

Notes

- A. All sales figures contained in this trading statement are stated including VAT from 2018/19 and in accordance with IFRS 15
- B. 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
- C. Sainsbury's will announce its Interim Results for 2019/20 on 7 November 2019