

## Third Quarter Trading Statement for the 15 weeks to 6 January 2018

### Record Christmas week driven by excellent operations across the Group

- Total retail sales up 1.2 per cent (excl. fuel) and like-for-like sales up 1.1 per cent (excl. fuel)
- Grocery sales grew 2.3 per cent with Groceries Online and Convenience up 8.2% and 7.3% respectively
- General Merchandise and Clothing outperformed the market in challenging conditions
- Full year underlying profit before tax now expected to be moderately ahead of published consensus<sup>1</sup>

Mike Coupe, Group Chief Executive Officer, said:

“We’re pleased with our performance across the Group this quarter. We had a strong Christmas week, with record sales, over 340,000 online grocery orders and stellar growth in Argos Fast Track delivery and collection. Online accounted for 20% of the Group’s sales during the quarter.

“We delivered an excellent operational performance across the Group, with great availability, strong customer satisfaction scores and our lowest level of waste ever at Christmas. Friday 22<sup>nd</sup> was our biggest sales day for stores and we also delivered an online grocery order to customers every second. Customers bought more *Taste the Difference* food than last year as people treated themselves and our popular 25p veg lines helped our customers live well for less.

“General Merchandise and Clothing grew market share in a challenging market. Argos stores in Sainsbury’s supermarkets performed particularly well and Argos saw record sales across the Black Friday period.

“I would like to thank all of our colleagues for their hard work and support over the past few months in helping us deliver a great Christmas for our customers.”

#### Outlook:

While market conditions remain challenging and we are cautious about the consumer environment in the year ahead, we now expect to achieve £80m-£85m of EBITDA (£72m-£77m EBIT) synergies from the Argos acquisition by March 2018, ahead of our previous guidance of £65m EBITDA (£58m EBIT). As a consequence we expect 2017/18 underlying profit to be moderately ahead of published consensus.<sup>1</sup>

Like-for-like sales growth (including Argos in the base)	2016/17		2017/18		
	Q3	Q4	Q1	Q2	Q3
Like-for-like sales (excl. fuel)	1.0%	0.3%	2.3%	0.6%	1.1%
Like-for-like sales (inc. fuel)	2.2%	0.9%	1.6%	0.9%	1.2%

Total sales growth (including Argos in base)	2016/17		2017/18		
	Q3	Q4	Q1	Q2	Q3
Grocery	0.3%	0.3%	3.0%	1.4%	2.3%
General Merchandise	3.7%	1.5%	1.0%	(1.6)%	(1.4)%
Clothing	9.4%	5.2%	7.2%	6.3%	1.0%
<b>Total Retail</b> (excl. fuel and excl. impact of sale of Pharmacy)	<b>1.6%</b>	<b>0.7%</b>	<b>2.7%</b>	<b>0.9%</b>	<b>1.2%</b>

<sup>1</sup> 2017/18 UPBT consensus estimate of £559m, as published on 5 January 2018 on [j.sainsbury.co.uk/investors/analyst.consensus](http://j.sainsbury.co.uk/investors/analyst.consensus)

## Strategic and operational highlights

We have prioritised four key areas of our business where we can differentiate ourselves, grow and create value:

### Further enhance our differentiated food proposition

- We continue to differentiate our food offer and create distinctive food ranges
  - We launched 185 new food lines for Christmas, almost half of which were in our premium *Taste the Difference* range
  - We also helped our customers to live well for less this Christmas, offering key Christmas vegetable lines for 25p and some of the lowest turkey prices in the market. We grew market share in both turkey and produce during the key week, when more customers bought their main Christmas meal at Sainsbury's
  - We completed 34 range reviews during the quarter, covering 13% of grocery sales
- All of our colleagues were focused on delivering great customer service in the final week and over 2,000 colleagues from central offices helped in our stores ahead of the big day
- We continue to invest in channels to meet customers' changing shopping habits:
  - Same day Groceries Online is now available from 93 stores, covering 38% of UK households
  - SmartShop scan as you go shopping is available in 45 of our supermarkets
  - We opened four convenience stores during the quarter

### Grow General Merchandise and Clothing and deliver synergies

- General Merchandise sales outperformed and grew market share in a challenging market
  - Argos saw record sales over the Black Friday period
  - Argos continues to grow market share, with strong growth in video games consoles such as Xbox One X and Nintendo Switch; mobile phones including iPhone X and smart audio devices such as Google Home
  - Online sales, including mobile, grew strongly, with online sales up over eight per cent
  - Argos Fast Track collection grew by 39 per cent and delivery by 25 per cent in the quarter and were particularly popular during Black Friday and the last few days leading up to Christmas. Customers were able to make same-day Fast Track delivery orders up until 1pm on Christmas Eve and we made our last Christmas Eve delivery at 6.39pm
- We opened 52 Argos stores in Sainsbury's supermarkets, bringing the total to 164. 18 of the 52 stores replaced an existing Argos store, taking the total number of replacement stores to 56. We expect to open around 145 Argos stores in Sainsbury's supermarkets in the 2017/18 financial year, which will take the total to 185
  - Stores in their second year of trading delivered average sales growth of 15%
  - Stores in their third year of trading delivered average sales growth over two years of over 30%
- We also opened four Mini Habitat stores, bringing the total number of Habitat stores to 15
- We have 204 digital collection points in our supermarkets, including 37 in convenience stores, where customers can collect Argos, DPD, eBay and *Tu* clothing
- We will deliver £160m of EBITDA synergies (£142m EBIT) from the Argos acquisition by March 2019
- Clothing sales were up 1.0 per cent, growing market share and outperforming a weak market impacted by warm weather at the start of the autumn/winter season

### Diversify and grow Sainsbury's Bank

- We increased our active customer base in Sainsbury's Bank by eight per cent year-on-year
- October was our best ever new sales month for home insurance and November was our best ever for car insurance
- Our new loan platform went live in December and all new personal loans are now being written on this platform

### Continue cost savings and maintain balance sheet strength

- We are on track to achieve £185m of cost savings this year, exceeding our three-year target of £500m by £40m

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## Notes

- A. All sales figures contained in this trading statement are stated including VAT and in accordance with IFRIC 13
- 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 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 also released today its Third Quarter Corporate Responsibility & Sustainability update. This is available at [www.j-sainsbury.co.uk/investor-centre/results-and-presentations/](http://www.j-sainsbury.co.uk/investor-centre/results-and-presentations/)
- D. A conference call will take place at 08:45. To listen to the audio webcast we recommend that you register in advance. To do so please visit <http://www.j-sainsbury.co.uk/investors> prior to the event and follow the on-screen instructions. To view the transcript of the conference call go to <http://www.j-sainsbury.co.uk/investors> and follow the on-screen instructions in the results, reports and presentations section
- E. The sale of our Pharmacy business to LloydsPharmacy completed on 31 August 2016. The impact of this disposal is excluded from like-for-like sales for a period of one year from this date
- F. Sainsbury's will announce its Prelims results for 2017/18 on 2 May 2018

Total sales growth	2016/17		2017/18		
	Q3	Q4	Q1	Q2	Q3
Total Retail (excl. fuel and excl. impact of sale of Pharmacy)	33.1%	20.7%	24.4%	17.0%	1.2%
Total Retail (excl. fuel)	31.6%	18.9%	22.9%	16.0%	1.2%
Total Retail (inc. fuel and excl. impact of sale of Pharmacy)	29.8%	18.2%	20.1%	14.8%	1.4%
Total Retail (inc. fuel)	28.6%	16.7%	18.9%	14.0%	1.4%