

First Quarter Trading Statement for the 16 weeks to 29 June 2019

Improving market share performance in a tough market

- Total retail sales down (1.2) per cent (excl. fuel) with like-for-like sales down (1.6) per cent (excl. fuel)
- Grocery sales declined (0.5) per cent
- General Merchandise sales declined by (3.1) per cent and Clothing sales declined by (4.5) per cent

Mike Coupe, Chief Executive, said: “We continue to adapt our business to changing shopping habits and made good progress in a challenging market. We reduced prices on over 1,000 every day food and grocery products and improved our relative performance¹. Our premium Taste the Difference ranges are growing market share² and we continue to improve customer service and availability. In a tough trading environment, we gained market share in key General Merchandise categories³ and in Clothing, where we are now the UK’s fifth largest retailer by volume⁴.”

“We will invest in 400 supermarkets this year, including adding an enhanced beauty offer in 100 stores. We are accelerating investment in technology: 148 supermarkets now have SmartShop self-scan, 206 Argos stores offer Pay@Browse and we upgraded 29 more Argos stores to digital formats, all helping to make shopping with us quicker and easier.

“In May, we celebrated Sainsbury’s 150th birthday. Our focus on giving customers high quality products at good value remains as true today as it was 150 years ago.”

Outlook

Retail markets remain highly competitive and promotional and the consumer outlook continues to be uncertain.

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

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

¹ Kantar Grocery market data, 12 weeks to 16th June 2019 vs 12 weeks to 24th March 2019

² Nielsen Panel, Total Premium OL FMCG market March to June 2019 vs March to June 2018

³ Key categories include Consumer Electronics, Technology, Furniture (source: Gfk) and Toys (source: NPDI). 3 months to 31st May 2019

⁴ Kantar Worldpanel volume market share, 12 weeks to 2nd June 2019

Strategic and operational highlights

Differentiate food and grocery through quality, value and service

- Our food performance relative to the market has improved in the quarter
- We continue to grow market share in premium food as Taste the Difference outperforms the market
- Since February, we have reduced prices on more than 1,000 own brand, high volume products, across dairy, meat, fish, poultry and fresh produce
- We have improved overall customer service this quarter, with improvements in 13 out of 14 customer service metrics since H2 2018/19
- We have introduced 33 new plant-based lines in the quarter, including the UK's first meat-free 'Ribz' and our 'Vegbabs'. We are the leading UK retailer of chilled plant-based food with almost 30 per cent market share
- Following the successful trial of our enhanced beauty range, which drove double-digit beauty sales growth in trial stores, we will roll out the offer to 100 supermarkets this financial year
- Our Convenience and Online channels continued to grow in the quarter, by 1.5 per cent and 5.1 per cent respectively
- As part of our 150th birthday celebrations, 30,000 colleagues will spend a day volunteering in their local communities
- We have committed to removing over 10,000 tonnes of unnecessary plastic from our stores this year, to removing dark plastics altogether and to replacing plastic that is currently unrecyclable with recyclable alternatives

Grow General Merchandise and Clothing

- General Merchandise and Clothing market conditions remain challenging and poor weather conditions impacted demand in some seasonal categories. We continue to gain market share in Clothing and key General Merchandise categories
- We are now the 5th biggest Clothing retailer by volume (previously 6th), with share gains helped by strong online growth in Tu.co.uk and Tu @ Argos
- Customer satisfaction continues to grow, with a 1.3 per cent improvement in the Argos Net Promoter Score year-on-year
- We have opened two further Argos stores in Sainsbury's supermarkets, bringing the total to 283

Offer our customers easy access to financial services

- Financial Services is performing in line with expectations, with continued good growth in customer numbers

Generate efficiencies to invest in our digital future

- We continue to deliver cost savings that at least offset the impact of cost inflation
- We are rolling out Sainsbury's SmartShop self-scan, which helps customers keep track of their spend as they shop and check out without queuing. SmartShop is now available in 148 supermarkets
- Argos Fast Track collection has grown by 20 per cent and Fast Track delivery by 13 per cent year-on-year as customers increasingly look for convenient ways to shop
- We have upgraded 29 Argos stores to digital formats in the quarter and 206 stores now offer Pay@Browse technology, meaning that customers don't need to queue to pay
- Nectar and Esso launched a partnership, which offers customers the chance to turn their fuel into money off their weekly shop alongside other personalised rewards
- 1.3 million customers now regularly use the Nectar app

Strengthen the balance sheet

- We have committed to reducing net debt by at least £600 million over the next three years
- We are accelerating disciplined, targeted investment in the core supermarket estate and will improve the customer offer in over 400 supermarkets in this financial year
- We completed 84 supermarket improvements in the quarter and will have finished more than 200 by the end of the first half

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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. 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 <https://www.about.sainsburys.co.uk/investors> prior to the event and follow the on-screen instructions. To view the transcript of the conference call go to <https://www.about.sainsburys.co.uk/investors> and follow the on-screen instructions in the results, reports and presentations section
- D. Sainsbury's will announce its Interim Results for 2019/20 on 7 November 2019