J Sainsbury plc

**Preliminary Results Announcement 2022/23 Presentation and Analyst Q&A**
**Thursday, 27 April 09:15 am**

## Presentation

**Simon Roberts**
**Chief Executive**

Well, Good morning everyone, and welcome to our 22-23 full year results presentation. I'm really delighted to see everyone here this morning. It's the first time we've held a results presentation in Holborn for over three years, so a huge welcome to everyone here today, and also a big welcome too, to everyone joining us online. It's great you're here with us this morning.

I'm going to start with a brief introduction to cover our progress two years into the Food First plan we laid out in 2020. Bláthnaid is here with me, for the first time as our CFO this morning, and she's then going to cover the financial highlights, and then I'll come back and give some more colour on how we're delivering against our priorities.

Let me begin here, with the strategic priorities that I set out in November 2020. You've heard us talk many times about Food First, putting Food back at the heart of Sainsbury's, where it belongs. First and foremost, in terms of value, but also with leading innovation and service, and as a result, reigniting our passion for Food.

Now, the strong progress that's been achieved has been driven by the financial capacity to invest in our competitiveness. This has come from improving the profitability and the resilience of our Brands that Deliver, Argos, Tu, Nectar and the Bank, and making bold choices, to reduce our cost base through Save to Invest. These priorities are consistently underpinned through being connected to our customers and delivering our integrated Plan for Better.

This slide demonstrates the progress that we've made over the last two years, compared to a pre-pandemic base. We're now a fundamentally stronger business. We've doubled the run rate of operating cost savings we have been able to generate. This has taken almost a percentage point out of our operating costs, as a percentage of sales. We've structurally transformed the profitability of our Brands that Deliver, particularly Argos, in total, adding an extra £145 million to the profit base.

At the same time, we've significantly strengthened our balance sheet, through a strong focus on cash generation. We've been clear from day one that we would reinvest a good proportion of these benefits into strengthening the food business. We've improved our pricing position versus all of our competitors. Importantly too, we've rediscovered the muscle of product innovation.

Now, our colleagues do the most brilliant job, every day, looking after our customers, and we've been able to prioritise investment in our colleagues, and in our customer service. So, as a result, we've consistently led our full choice supermarket competitors on customer satisfaction.

The results are clear here. We've changed the trajectory of our food market share. We measure volume share, because it's the true measure of how much customers are actually

shopping with us. We're the fastest growing full choice grocer in food volume share over the last three years.

Argos is also a fundamentally changed business. The operating model changes we've taken have taken out structural cost that won't return. We've cut out inefficient promotional activity, to make a more sustainable sales base, whilst at the same time building out the customer proposition and customer service too.

So, while we've been trading in tough markets over the last two years, and against pandemic peaks, we've gained market share, and you can see the resilience of the sales line in Argos and a completely different profit base.

Now, we are Food First, and we are People First, and this means we invest in our colleagues first. Our colleagues are at the very heart of our brand and that's why we've led the industry with three wage rises over the last year, and why we've increased pay at Sainsbury's by over 40% since 2017, but we've also done this thoughtfully, staying very clearly aligned to our strategy.

We've been able to unlock significant productivity gains through investing in digital, in technology and through changing store operating models, as customers have changed their shopping behaviours. So, in short, we now have fewer, but better paid colleagues doing more productive roles, and with greater flexibility, at Sainsbury's, as you can see here, and the same is true at Argos too.

Now, I'm really proud that colleague engagement has improved again this year, right across the business and is now at the highest level it's been for a number of years. As we expected when we made these investments in our people, customers are now telling us they're seeing better, faster and friendlier service in our stores, which is great to see.

So, turning specifically to the year we've just finished, we're really pleased with the way we've navigated what was another incredibly tough year for our customers, for our colleagues and for our suppliers, and we've been determined to do all we can, to support our customers to battle inflation. We've continued to invest in value, £560 million over two years, improving our price position against all of our competitors. We're now the most competitive we've been in many years.

As I just highlighted, we were the first major supermarket to pay the new living wage across the whole country, and we've invested to strengthen relationships with our suppliers, particularly British farmers. We're focused on supporting communities too, helping to improve access to food, and tackling food poverty, through our Nourish the Nation programme.

Overall, we think we've got the balance right for shareholders. By investing in the right areas, we've created a stronger more sustainable business. We've delivered profits at the top end of the range, and we've continued to generate very strong cash flows.

Now, we know it's still going to be hard for customers and colleagues this year, and so we will continue to make the right, balanced choices to keep strengthening the business for this year and for the long term too.

So, before handing over to Bláthnaid, I just want to say a huge thank you, to every one of my colleagues, our entire team right across Sainsbury's, for their determination and the huge effort, which has been so fundamental in the progress that we've achieved. I'm really proud of everything that we've done.

Let me now hand over to Bláthnaid, to take you through the financial highlights.

**Bláthnaid Bergin**
**Chief Financial Officer**

Thank you. Great. Good morning, everybody, and thank you, Simon. It is great to see everybody here today, and I am delighted to be stepping up into the CFO role, after four years with Sainsbury's. I've worked really closely with Simon and the team, as we developed our Food First strategy, and two years in, I feel really proud of what we have delivered, and the momentum that we have in the business today.

I will now cover the financial highlights for the 52 weeks to 4 March. Let's start by looking at sales, year-on-year.

Grocery sales grew by 3%, with growth strengthening throughout the year. COVID comparatives dropped out after the first quarter, and against a backdrop of increasing inflation, we gained volume market share in the following three quarters. We also benefited from a strong performance in events over the year and from warm weather in the second quarter.

General Merchandise sales were down over the [year], with a significant contrast in performance after Q1, as we exited COVID comparatives.

Argos sales were flat, year-on-year, with the headline number diluted by Sainsbury's general merchandise performance. Sales in both Argos and Sainsbury's were supported by good weather, and the main driver of stronger growth through this year was improved availability. We've done a lot of work to improve availability in key products. We've also seen an easing of supply chain challenges, particularly in Consumer Electronics.

Argos also benefited from its strong value reputation, convenience, resulting in strong market share gains throughout the year.

Clothing sales were down in the first quarter, reflecting the impact year-on-year of customers returning to the high street, but we saw more normalised trading in the second half, and again, we delivered good market share performance.

In total, retail sales, excluding fuel, were up 2% and including fuel were up 5.2%. The 23% increase in fuel sales was entirely driven by higher prices, reflecting both the higher oil price and sterling weakness. Fuel volumes were down slightly year-on-year but we were ahead of the market, as prices remained very competitive.

Turning to Group performance and there are a number of elements at play here. Retail operating profits were down 7% year-on-year, largely reflecting normalisation of Grocery volumes against COVID-boosted levels, particularly in the first half.

Cost savings more than offset higher operating cost inflation.

We also invested in value, only partially passing on the impact of higher Grocery prices to consumers, and we continued to inflate behind the market.

Financial Services profits increased, as lending volumes and commissions from Travel Money recovered during the year. Underlying profit before tax was down 5% year-on-year, with operating profit movement partially offset by lower net finance costs.

At a statutory pre-tax level, we reported a profit of £327 million, significantly down, year-on-year. There are two elements at play here. First, as you may recall, we had a high level of exceptional income last year, from legal settlements. Secondly, in this financial year, we have a large non-cash asset impairment charge of £281 million, as a result of higher discount rates.

Now, let's unpack the UPBT movement for the year. As I said earlier, the retail operating profit movement was impacted by the normalisation of Grocery volumes against COVID-boosted levels. Last year we said that the benefit to operating profit from COVID volumes was around £100 million.

On finance costs the reduction of £27 million has two components. First, is the increased interest income on higher cash balances, and second, accounting for a little more than half of the reduction, was lower lease costs. This is due primarily to the declining remaining term of the existing lease portfolio, with lower costs associated with leases as they age.

The chart on the right-hand side shows the increase in UPBT versus pre-pandemic levels, up 18%. As you may recall, in the financial year 2020, we had a materially reduced bonus pay-out. If you adjust for this, to a normalised level, the pay-out of the UPBT would be up more than 30%.

On these two charts, we've bridged the key elements of the operating margin movement. The strength and delivery of our cost saving programme has meant that we were able to more than offset operating cost inflation year-on-year. This is clearly at a much lower level than in the prior years, given the step-up in inflation and lower volumes against COVID comps last year.

The gross margin movement captures both the investment we've made in value, as well as some dilution of percentage margin, as prices inflate.

Simon will talk in more detail about our cost saving programme, Save to Invest. We are pleased with the momentum here and the progress that we've made. To date, we have delivered around £900 million of the £1.3 billion we targeted over the three years to March 2024. This is more than double the run rate of the prior three years.

As we said at interims in November, we won't hit the three-year SG&A to sales target, of a 200 basis points reduction, given the high step-up in operating cost inflation relative to our expectations, particularly on colleague costs and utilities. But, we will exceed the equivalent target set in pounds at the time, while still reducing our costs in an inflationary environment.

We are continuing to drive greater cost efficiencies than our competitors. This is enabling us to reinvest in improving our customer proposition ahead of our competitors.

Moving on to Financial Services, profits were up year-on-year, benefiting from both higher lending volumes and commissions. Higher lending volumes from both credit cards and personal loans generated more interest income, offset by associated higher impairment levels and costs. Expectations of future losses, based on increased costs of living, resulted in higher provisions in the year. Arrears levels currently remain low. Growth in commissions primarily reflects the recovery in Travel Money.

As you can see in the table on the right, the Bank remains very well capitalised, with only a very small movement year-on-year in the total capital ratio, after the impact of paying a £50 million dividend to Group.

Looking to the year ahead, we're still cautious on the consumer outlook and so we're comfortable with consensus forecasts for Financial Services, of broadly flat.

In order to provide a clearer view of our underlying performance, we exclude P&L items, which by virtue of their size or nature, do not reflect the Group's underlying performance.

There are two key lines here that I would like to highlight. First, restructuring costs of £106 million, which relate to the programme that we announced in November 2020. We continue to expect total one-offs relating to this programme of between £900 million and a billion, with the majority incurred between March 2021 and March 2024. To date, the costs have totalled just under £750 million. We guided to cash costs of the programme of around £300 million. To date, these stand at just over £200 million, and we expect around £60 million cash costs in the year ahead.

The impairment charge that I mentioned earlier, of £281 million, arises as a result of the change in the discount rate. This is non-cash and is not reflective of the overall business performance.

Now, you'll need to bear with me on this slide, there's a lot to take in, so I'll take my time as I go through it.

We remain focused on strong, consistent cash generation, and we've delivered another good year. We guided in January to Retail free cash flow of around £600 million, and we've come in at £645 million. We benefited from higher Grocery sales, as well as a £50 million dividend received from Sainsbury's Bank, which we announced last April, and was paid in the first quarter of the year.

You can see the reduction in our pension cash contribution from £71 million to £44 million. We completed the negotiation of the triennial valuation last year, and we do not anticipate any change in our cash contributions in the year ahead. This is despite the impact on our pension scheme of the Government's Mini-Budget in September.

Our scheme was almost fully hedged at the start of this period, but as a result of the bond market volatilities, the Trustees reduced the level of hedging. Coinciding with a subsequent fall in gilt yields, this reduced the ongoing funding level of the scheme. Our scheme remains well-funded, with an asset-backed security programme in place and the right liquidity to meet all payment requirements.

Let's look at the Other line towards the end of the table. Last year, the big movement here primarily related to increased lease additions, relating to the previously announced Highbury and Dragon transaction, where we were acquiring a portfolio of 21 high quality stores. These stores were held in a property investment pool, which we part owned. We completed the acquisition in March this year, after the year end, and it's being funded from cash flow and a term loan.

We will be reporting this below Retail free cash flow, as we classify it as a strategic investment.

Capex of £717 million, was within our guidance of £700 million to £750 million. It was lower in the prior years, as COVID slowed activity levels. In the year ahead, we expect Capex of around £750 million to £800 million, driven by timing, as we catch up on some of that underspend during COVID, but on a three-year rolling average, we are within guidance, and

we continue to expect average capital expenditure to remain in the range of £700 million to £750 million.

We expect some further working capital benefit in the year ahead, and therefore continue to expect to generate Retail free cash flow of at least £500 million, in line with our previous guidance.

Turning to the balance sheet, these charts show our key metrics. Looking towards the right-hand side, our net debt to EBITDA leverage ratio was at three times at year end, down from 3.1 times in the previous financial year. This is at the top end of our target leverage range that we laid out as part of our capital allocation policy last April. We will see some automatic reduction in the year ahead, as the Highbury and Dragon deal completes.

Return on capital employed of 7.6% is down year-on-year, reflecting the impact of lower underlying profits, but is higher than pre-pandemic levels, and we remain focused on further improving returns, which is one of our eight key metrics.

Last year, we set out a capital allocation framework. That included a higher dividend pay-out ratio, guiding to paying out around 60% of earnings, rather than a little more than 50% under the previous policy. This has meant that we have been able to maintain a full year dividend of 13.1p, a pay-out of 57%, despite underlying earnings per share being down 10% year-on-year.

Just a quick reminder of that capital allocation framework. The cornerstone is targeting a solid investment grade balance sheet, through leverage comfortably within the range of 2.4 to 3.0x. This is vital, to provide the prudence and flexibility that we need.

Having paid out around 60% of underlying earnings, our priority then is to reinvest in high returning opportunities that generate future value.

Finally, we are committed to returning any surplus cash to shareholders. We are aware that some investors are focused on this as a potential outcome, and we've said before, we will talk about this, once we are comfortably within that target leverage range.

Overall, we're pleased with our delivery and performance throughout the year. We have balanced financial delivery, investment for customers and colleagues and performance versus our competitors. All of this against a profit last year that was boosted by COVID.

We've absorbed a high level of cost inflation and delivered at the top end of our guidance. This was helped by a strong cost saving delivery and a very resilient performance from Argos.

Cash generation was strong, we ended the year with net funds of £144 million. The higher dividend pay-out ratio meant that we were able to pay a flat dividend year-on-year, despite lower earnings.

Looking to the year ahead, we continue to expect to generate Retail free cash flow of at least £500 million and we expect underlying profit before tax of between £640 million and £700 million.

We're still facing into a tough backdrop for customers and ongoing pressure, both for our business and our suppliers. We are determined to retain the flexibility to do the right thing for our colleagues and our customers and to continue supporting suppliers, particularly British agriculture. This flexibility has allowed us to trade strongly and to deliver a profit outcome at

the top end of our guidance. We continue to think that this is the best way to deliver the right outcome for our shareholders. Thank you for your time and I'll now hand over to Simon.

**Simon Roberts**
**Chief Executive**

Thank you, Bláthnaid. Okay, so we are now going to move on to talk more about our progress over the last 12 months and starting, first of all, with Food First and what we've been seeing happening in our Food business over the last year.

Now look, as you will remember, value was the first thing that we needed to address. Quite simply, we were too expensive relative to our competitors and that's what we've been changing.

The core of what we're famous for is our Fresh food proposition and that's why more than 60% of our £560 million of investment has gone into centre of the plate categories, like meat and fish and poultry, fruit and vegetables and dairy.

We now have a unique value proposition in the UK across price match, price lock, personalised prices through Your Nectar Prices and now Nectar Prices. What's unique here is the combination we have between this personalisation in value with Your Nectar Prices and discounts for everyone with Nectar Prices.

Now we launched Nectar Prices a little more than two weeks ago in all of our supermarkets and online and I have to say it's been a brilliantly well executed launch. The whole of our team has really got behind this and we're really pleased, really pleased, with the customer response. The number of new people signing up to Nectar, and now using Nectar, is significantly ahead of our expectations. We've launched with discounts on over 300 products and we'll be rolling this out to more products and more categories over the coming weeks and months.

Now as you can see on this chart, we've continued to inflate behind the rest of the market, with customers really noticing the consistency of our position month in, month out for nearly now two years. It's this consistency, I think, that really shows through here. This chart demonstrates the progress from November 2020, when we laid out our Food First plan, in terms of the improvement against all of our key competitors. The outcome is really clear, with the most notable shift being a 16% improvement in our price position against Aldi.

Now I showed earlier that we really have step changed what we've delivered in terms of innovation and we've been ahead of our target, as you can see here. We're providing more opportunities for customers to trade up, with Taste the Difference sales up 16% compared to pre-pandemic levels.

We've been really deliberate too in our focus to win the big events. Customers are choosing us more often when they're shopping to dine in at home for the big occasions, with volume growth outperformance, as you can see, across all the key seasonal moments over the last year. The most recent Easter period was the biggest Sainsbury's Easter we've ever achieved.

That innovation is also extending to our delivery of our Plan for Better commitment. I'm sure you've all heard about our recent move to vacuum packing of all of our beef mince. It's a bold move but it's exactly the kind of step we believe that is absolutely necessary. Because with this single move on some of our highest volume skews in our business, we will save more than 450 tonnes of plastic every year.

Now the product is the same, it just takes a little more effort to break it up in the pan, but we think that's definitely worth it. If you haven't tried it yet, I can absolutely assure you that your Spaghetti Bolognese or Chilli con Carne will taste exactly the same, so give it a try.

We've also taken further big steps to reduce food waste, with the recent rapid move from trial to rollout of our £2 fruit and veg boxes proving a real success with customers. I think this is a great example of our faster agility too, with this being scaled up from pilot to launch in over 200 stores in just four weeks. To date we've sold over 25,000 boxes.

With Plan for Better now fully integrated into delivering our Food First plan, this is an example of how we are delivering improved customer, commercial and sustainability outcomes. We are working to build longer term strategic supplier partnerships in the key supply chains necessary to deliver sustainable change for our food system and our ambitious scope 3 commitments.

A good example is the significant long-term partnership we've agreed with Moy Park for our chicken supply. Because through making this commitment we're delivering great value for customers, better animal welfare, plastic packaging reduction and also importantly, progress on deforestation-free soy and biodiversity.

Now the results of the improvements in our Food proposition into value, innovation and service is that our customers are noticing the changes to our business, with the gap versus the other full-line grocers, as you can see here, in customer satisfaction widening over the last two years. This is reflected in very strong volume performance against the market over the course of the last year, as we outperformed the market over Quarter 2, Quarter 3 and Quarter 4.

You can see here the change in customer behaviour that's been happening too over the last year, as COVID behaviours have further reversed. Online Grocery sales were down year-on-year, but more customers have returned to our Supermarkets and Argos stores and we've seen very strong growth across our Convenience estate. In fact, Convenience sales are 9% higher than pre-pandemic levels. We hit a new milestone of £3 billion of sales in the year, helped in part by using our very high quality convenience locations to serve On Demand Grocery orders.

Now Online Grocery sales are 81% higher than pre-pandemic levels and have stabilised at around 14% of our sales. We've worked really hard on the operating model to drive productivity, whilst improving the customer proposition at the same time. We're really clear we will not chase unprofitable Online volume. We are prioritising customer satisfaction and efficiency across our Online operations and we're really encouraged by the number of Online customers returning to shop in our stores, as Online participation has continued to normalise.

Items Picked per hour continue to trend upwards and are higher now than at any point during or before the pandemic. Availability has improved too, as you can see here and we've grown Delivery Pass holders by more than 7%. Basket sizes have also increased.

Let's now move on to Brands that Deliver and our objective here has been to build the power of Nectar, to improve profit delivery across Argos, Tu and Habitat and simplify and strengthen our Financial Services business. Taken together, these initiatives have delivered a step change in profitability, as we showed earlier. But there's also strong synergy where these brands benefit from our stronger Food performance.

So, let's start with Nectar. We've come a long way since we bought this business back in 2018. We've been building the digital customer base and then we took the scheme into Argos, as you can see. Then we were the first in the market to offer personalised prices in September 2021. Now, with the recent launch of Nectar Prices, we have a unique loyalty proposition in the UK market.

More than two million SmartShop customers are shopping in our stores, already taking advantage of personalised prices through Your Nectar Prices, lower prices on products that matter most to them. The most active Your Nectar Price users are saving almost £200 a year on their shopping. Your Nectar Prices will be rolled out to our Online Grocery offer later this year.

In addition to personalised prices, all 18 million Nectar customers in Supermarkets and Online can also now access discounts through Nectar Prices. So having built the personalisation engine, Nectar Prices will now bring scale in the form of higher participation rates. In addition to delivering value in a very meaningful way to customers, this builds the reach of the Nectar brand and the Nectar business.

Now this in turn will help us fuel the growth of Nectar360, our insights and marketing business. As a reminder, we said in November that we expected Nectar360 to add an additional £90 million of profit to the business over the five years to March 2026. We're well on track with that ambition.

Key to the growth of our Nectar360 platform is our Retail Media offering, where we have continued to build income as we deliver higher return advertising placements for more than 700 brands on our own websites, in our stores and across the wider web and social platforms.

You've heard us talk before about our Digital Trading Platform, which allows brands to engage customer audiences based on Nectar insight, providing personalised advertising for customers and as such, cut through for brands in a congested digital space.

Now on the right-hand side of this slide is a great example of this, a campaign we ran for a leading ice cream brand to attract customers to their new product. Now we serve targeted advertising across thousands of relevant websites based on actual purchasing behaviour and propensity to buy ice cream through customer insight from Nectar. We then reacted to how customers engaged with the campaign, using the same platform to optimise advertising and drive conversion to purchase in our stores and also online too.

In this example we served over three million impressions, that's ads delivered to thousands of households with a conversion of 17.5% and an impressive return for the brand of £12.63 for every £1 of advertising spend deployed. So you can see the progress we're making across the Nectar platform and we're more and more excited about the further opportunities that we see here.

Let's turn now to Argos. For Argos, customers are really seeing an improving business. We're becoming more convenient, with the best same day and next day delivery in the market. We've retained a great reputation for value, with some really sharp focus on the key categories.

We've also become more relevant across a wider range of brands and just as an example of this, we recently launched two of the Dyson Airwrap products and from the first three weeks of sales we achieved 35% share of the total Airwrap sales in the UK. This is a product just

over £470, which shows the scale of demand from our customers to buy the best and most desirable brands from Argos.

While customers have been cutting back clearly on spend in key discretionary categories, they're also increasingly choosing Argos, which has been gaining market share throughout the whole year. At the same time, we've also been fundamentally transforming the economics of the Argos business too, rebalancing the store estate and as you can see, reducing our occupancy costs at the same time.

We've simplified the distribution model, improving accessibility and availability and particularly same day availability for customers, as we've opened a nationwide Local Fulfilment Centre network and moved our stock closer to customers. As a result, we've been able to reduce operating costs to sales by more than three percentage points.

As well as transforming the store network, we've also invested in Argos digital capability, not least through more than five million Nectar accounts now linked to Argos. Argos is a scale digital business, the most visited retail website in the UK last year after Amazon and eBay. We are industry leading in areas like optimising online search based on customer, commercial and availability data, so we're selling more profitably with lower marketing costs. We have also extended the insights expertise of Nectar to develop a comprehensive insights platform for General Merchandise (GM). This is a unique asset for suppliers in the UK GM market.

Let's now talk about our Clothing business, Tu.

Tu is the only UK supermarket clothing brand to have gained market share in the last six months. It's doing so on a more profitable and sustainable sales base, with higher full price sales. We've recently migrated the Tu online website across to the Argos platform, giving much greater functionality and capacity to further develop. But also importantly generating a significant saving by having Argos, Tu and Habitat all on the same web platform. We're also steadily increasing the number of third party clothing brands online and in-store, improving the customer proposition and leveraging our online and in-store assets.

Let's now turn to our Financial Services business. We've developed a much more tightly defined role for our Financial Services in recent years, to focus on providing financial services to Sainsbury's and Argos customers. We're making good progress here, with £1.7 billion of lending and strong linkage through Nectar.

Alongside this focus were some key objectives and we're delivering on those too in terms of cash generation, self-sufficiency and reducing the cost base, albeit with some headwinds on returns given the economic backdrop.

Let's now turn to our third pillar and talk about Save to Invest. I really want to emphasise how much of a cornerstone of our strategy this really is. We're reducing operating costs at a faster rate than our competitors to fuel investment in the core business. We've changed the mindset as a team of our entire approach and we really are focused on the way this business thinks about cost.

We've made great progress, as Bláthnaid said, with cost savings of more than £900 million over the last two years, more than doubling the run rate of our prior three years. We remain on track to maintain that doubling of the run rate over the course of the three-year plan. To date we've delivered significant reductions through bold choices on the customer proposition, such as closing counters and cafés and also through investing in productivity improvements in stores and in logistics too.

Let me just talk about logistics in a bit more detail on this slide. We have huge opportunities here to drive efficiency through better integrating and modernising our network. That's why we recently announced a major change programme to consolidate and modernise our General Merchandise distribution network, including significant investment in automation.

We have additionally announced a proposal to shift the way we work with our external logistics partners and that's going to mean three dedicated third party partnerships for our whole business, across transport, Food, General Merchandise, Clothing and fulfilment. So as well as reducing costs, this will enable significant investment in modernisation.

As we know, we've still got a lot more opportunity to take structural costs out of the business. As we said in November, we see a significant prize from end-to-end savings. That's programmes which look at how we take costs out of an entire chain of activity, rather than focusing on specific isolated areas of cost reduction.

Let's talk about what that means. There's more than £5 billion of addressable costs in the major operating processes of this business and how they currently work end-to-end. Here we've shown the biggest areas of activity for us, covering the majority of supply and the movement of product. Let's try to bring this to life perhaps with a specific example, where we've made a number of significant changes to our supply chain systems and processes.

These changes extend from the way that we forecast demand, to the way we purchase and order goods and then the way that our suppliers plan their production. We're using more than 200 live demand factors every day, moving to 280 weather zones versus 20 previously. Forecasting forward by 26 weeks rather than four previously and taking into account eight billion data points to get to the most precise forecast. These steps are just one of the many opportunities that we see that will take costs out of every element of our operating model and deliver, very importantly, better availability for our customers at the same time.

Now I want to touch briefly on energy costs, because it's clearly been a hot topic across the world over the last year for all the obvious reasons, but it's an area that we've been focused on for a number of years. We've made significant investments to make our stores more energy efficient, switching to 100% LED lighting and introducing innovation to reduce our consumption on heating and on cooling too. This has meant we've reduced our electricity consumption by 27% over the last four years.

We've flexed our hedging policy to make sure that we're giving ourselves the certainty for the year ahead, without exposing ourselves to the peaks of the market. Now we’re hedged on around 85% of our electricity for this year, and we are very happy with the prices that we’re fixed at. Perhaps most importantly, we’re bringing online this year two more windfarms that will mean by December, 40% of our electricity consumption will come from New to Planet energy. This gives us assured long term prices on a very significant proportion of our energy consumption.

Now we recognise our responsibility as a sustainable retailer, and we are pleased, as you can see on this slide, with the progress we’ve made on further integrating environmental and social sustainability into the core of our business.

On healthier choices, we’re starting from a very high base relative to the rest of the industry, however, as customers have responded to the cost-of-living crisis, the market is seeing greater losses in healthy categories than less healthy ones.

We're committed to playing a leading role in offering affordable high quality food that supports healthy and sustainable diets, and at least 70% of our price match products are Healthy or Better for You, and we're using Nectar promotions, such as the Great Big Fruit and Veg Challenge to nudge customers towards healthier choices.

We're really focused on representation across the business and making good progress on the level of diverse representation at our Senior Leadership and Senior Management level. I'm proud that our diversity, equality and inclusion initiatives have been recognised at a national level and we're making real progress here.

Now, two years ago, we set out our Food First Plan, and the eight key financial and operational metrics that we would measure and report against, and I committed in November 2020 that every time we talked, we would share with you our score card. So, let's have a look at how we're doing.

On the operational metrics, we've fundamentally shifted the trajectory of volume market share for this business. We've maintained strong customer satisfaction scores versus the rest of the industry. Putting people first is core to our philosophy, and you can see how it's powering our performance. As I've said, on Plan for Better, we're making strong progress in some areas, but we still have more work to do in others.

On the financial metrics, we've delivered strong profit improvement against the 19/20 base and we've generated consistently strong free cashflow. We're not going to hit our 200 basis points cost to sales target, but we are delivering the quantum of cost savings that we targeted. On returns, we still have work to do, but as a team, we are very focused on driving further improvements both in terms of capital discipline and profit evolution.

So, going back to where I started this morning. We're two years in to our Food First Plan, we've momentum, and we're gaining market share. We've changed the trajectory of the business, and we're significantly stronger financially. We've made bold choices to save costs, prioritise and invest where it really matters to our customers and colleagues, and this in turn, is restoring our focus on volume and delighting customers, that this business had previously lost.

So, looking to the year ahead, we're well positioned for markets that still won't be easy for customers, colleagues, or suppliers, but we've really got ourselves ready for the year, and we've established a strong and high performing leadership team focused on delivering our commitments and ready to take advantage of the opportunities that we see. As a result, we have the resilience, the momentum, and the flexibility to be able to make the right decisions and choices, not just for the short term, but to continue to accelerate our performance, and that's what underpins the guidance for this year that we've issued this morning.

So, thank you for listening to us. Bláthnaid and I will now be delighted to take your questions. We will just take a minute to set up and we will get into the Q&A, thank you.

## Question and Answer Session

**Simon Roberts**
**Chief Executive**

Okay, great, so we are going to move into Q&A. What we're going to do is we will take questions in the room first, and if anyone has got a question, if you could pop your hand up,

introduce yourself so that everyone online can hear. Then, after we have taken questions in the room, we will obviously go to any questions online.

Okay, I can see Andrew first up with his hand up in the front row here. Andrew, hi.

**Andrew Gwynn, Exane BNP**

Yes, good morning, Simon, and welcome Bláthnaid. I'm Andrew Gwynn from Exane BNP. Firstly, a question just on the profit guidance, with three observations. So, firstly, significant cost savings, you've done a lot of investment into price, and you have a track record for under promising and over delivering now, I think, over the last three years. So why is the profit guidance not cautious? Or is it cautious?

The second two questions are hopefully a bit quicker.

Firstly, just on the pension, apologies. It's in surplus, but you're still making payments. Is there's a surplus on both metrics IAS 19 and also in the actuarial?

Then, the other one, just on the capital ratio, any early thoughts? I mean, you're sitting on net funds, yet not returning cash. So, obviously, there's a lease liability, but just early thoughts on whether or not those tramlines could be moved? Thank you.

**Simon Roberts**
**Chief Executive**

Andrew, thank you. So, look, shall I pick up on the guidance, and then Bláthnaid on pensions and capital?

**Bláthnaid Bergin**
**Chief Financial Officer**

That's good.

**Simon Roberts**

Okay, so look, I think on the guidance here... What are we trying to do? What's our objective? The first thing is, we want to make sure that clearly given it's early in the year that we retain flexibility in the year ahead rather than focusing too much on a narrow profit objective, and that's important for us because what you've seen us do over the last year is really be flexible to take advantage of the opportunities that we see as the year has unfolded, and that's one of the reasons why we've been able to get to the top end of the guidance in the year we've just finished. First point to make.

Second point to make. Look, we think this market will continue to behave rationally and so in Food, broadly, we've a very good line of sight as to what we think will happen. You can see the momentum in the Food business. You can see where we are. So, really, the second reason for the range is that when we think about where the customer is at now, there is still some uncertainty there, and of course in General Merchandise markets, discretionary spending is one of the things that we will need to see how that plays out over the coming months.

So, really strong in Food, strong in our cost saving program, a good momentum in General Merchandise as we've come into the year, but we will need to see how customers behave, how inflation tracks, and what happens in terms of the year. We also need to see some good

weather in GM as well. You will remember last year, we had a pretty phenomenal summer, actually, it was very strong. We sold a lot of paddling pools and barbeques last summer. Then, we had that phenomenon over Christmas, where Argos became the go-to destination for customers when they couldn't rely on the Royal Mail.

So, we've got some comp effects that were pretty exceptional last year. That being said, we haven't planned for all of those to repeat, but we will need to see some good weather in the next few weeks too. So, net-net, standing back from that, we wanted to give ourselves the flexibility. We can see line of sight to how we could get to the top end of this range if a few things went our way, but that flexibility at the start of the year is important in making sure we can make the right choices as we go. Bláthnaid?

**Bláthnaid Bergin**

Great, pensions. So, there's different ways of valuing a pension fund. The basis that you look at in the accounts is an IAS 19 basis. But when we look on a technical provisions basis, we're not quite there yet. We had the triannual negotiation with the Pension Fund Trustees last year. You've seen the reduction from the £71 million to the £44 million. As we travel through the next few years, we will expect that to continue to reduce. There's a number of factors at play there as we do that valuation with the Trustees. Mortality rate has been the main one. But again, we are confident that we will continue to reduce those pension payments into the fund. We're not anticipating over the next two years, that we will see more cash going into the pension fund.

On the net funds position, look, we are really pleased with the strength of our balance sheet. We have done an awful lot of work over the last few years to get our balance sheet to the position that it's in. If I go back to the capital allocation policy, there are a number of priorities there. The first thing is to invest the right amount of money to support our strategy. Secondly, continue to have that strong balance sheet to be able to pay a consistent and reliable dividend to our shareholders. You've seen us do that this year, holding it flat at 13.1 pence.

Then we want to look at high returning opportunities that will help us drive the business forward in the future, and when we're comfortable with all of that, and we're comfortably inside that 2.4 to three times range, then we will consider what do we do with the excess funds and returns to shareholders at that stage. But we're not there yet. We will get there pretty soon. But we're not there yet, Andrew. Thank you.

**Simon Roberts**

Thanks, Andrew.

Hi, good morning. Hi, Clive.

**Clive Black, Shore Capital**

Thank you, yes. Good morning, and again welcome Bláthnaid, as per Andrew's comment.

**Bláthnaid Bergin**

Thank you.

**Clive Black, Shore Capital**

Two from me, excuse me, if I may.

Firstly, what's your real estate strategy given where you are with Argos and Highbury and Dragon. I'd be interested to know more broadly where you see that going in the medium term?

Then, secondly, with a sort of helicopter view, your labour process. You've increased the pay substantially. Simon, you've outlined that. But where do you see as part of Save to Invest and indeed technology the future of people in Sainsburys? Thank you.

**Simon Roberts**

Clive, thank you. Well, let me maybe talk a bit about where we are on our stores and locations. Bláthnaid, might want to speak on Highbury and Dragon, and then we will talk about labour processes in our stores.

Look, I think the first thing to say here is that one of the things that we're very fortunate in Sainsburys is the quality of store locations that we have, and the strength of our Supermarket and Convenience estates is one of the things that is a real strength for this business.

We are very well located. We have great locations that really work for our customers. So, we do some churn in the estate every year. If you look at last year, we closed three Supermarkets. We closed eight Convenience stores. We opened 13 new Convenience stores. So, we take sensible decisions in terms of some of the stores we need to look at, but net-net, we're really in a good place we think with the stores that we have.

We're putting more attention into how we use the space inside our stores as customers change how they shop, as we see the potential that's opening up in some of our strategies as we make progress, we are thinking very thoughtfully about how we use that valuable Supermarket space to improve what we can do for customers and improve our financial returns at the same time.

Of course, one of the other important parts of that is because we serve all of our Online volume through our stores, that's an important part of driving an increased trading intensity because we're able to use those fixed assets to cover our Supermarket operations and Online.

In Argos, we've made a lot of progress on the transfer to Store in Store. So, we've got 424 Store in Stores now, and we've just completed the second year of that program. Look, we continue to be really encouraged by the way in which that's working. Customers are accessing Argos when they shop in our stores, we've got 1,100 points of access now. So, I think the key focus here is one of optimising the estate we have, selectively opening convenience stores where there are the opportunities, but making sure we really double down on how we use that space well.

And Highbury and Dragon was an important part of that work, wasn't it Bláthnaid?

**Bláthnaid Bergin**

Yes, and look, we were delighted to be able to execute in that Highbury and Dragon transaction and that was due to the strength of our balance sheet and how we've repaid our

debt and had that discipline over the last few years. So, it was great to be able to bring 21 of our high performing stores back into our property estate. Of course, look, we'd love to own more, but those opportunities don't come to the market very often. But if we continue to have the strength of our balance sheet that we have, we will look at those, as and when they arise, and see if it's the right thing to do for the business.

**Simon Roberts**

Then, Clive, on your question on labour costs and labour processes in stores. If we just take a step back on this, as I hope we've outlined this morning, the choices we've made on what we pay our colleagues is something that is very important to us. We really believe in starting here about what is it we need to do to make sure our people are motivated, engaged and do the best job for customers, which is the reason why we've led the market against our full choice competitors on paying the living wage across the whole country.

I should add, this isn't something that we decided in short order. We've been planning this for a long period of time. These decisions take time. We think about them very carefully as an Operating Board and then work out what do we need to do in terms of productivity to make sure that we can balance the scales. That's exactly what we've been doing. So, all of our store and Retail colleagues have been doing a fantastic job thinking about how we can work more efficiently, what are the tasks that actually aren't adding value to customers, how can we do things differently. That's what underpins the productivity story that we've shared this morning.

I think that's borne out of flexibility, that's borne out of really challenging how we work, and that's thinking about also how customers shop differently. So, one of the big things you'll see in our stores is we are seeing more customers checking out themselves, more customers using SmartShop. So, a big program that the team have been leading, Future Front End, has been thinking about how we adjust the way the store works so we can free up productivity and actually get our colleagues back out in the store, because what we find is a lot of customers want to talk to our people. But also make efficiencies in the way the store process works.

Then what I've tried to share this morning just in terms of end-to-end, we think that's really important because, of course, how products arrive in a store is a big driver of the cost and either efficiency or inefficiency of how that works. That's one of the reasons why in a business like this we've got to join things up right across the business. So, our commercial teams, our supply chain logistics teams, our retail teams are really looking at what are the ways this works and how can we improve our end-to-end and it's one of the reasons why we're confident there's a lot of value there.

Thanks, Clive. Any more questions in the room?

**Bláthnaid Bergin**

There's James in the middle.

**Simon Roberts**

Hello there, hi James. Have we got a microphone for James?

**James Anstead, Barclays**

Thanks very much. James Anstead from Barclays with three quick questions.

Firstly, you've started with Your Nectar Prices and kind of simplified that, in a way, to Nectar Prices. So, started with a very tailored scheme and something now that's more general and open to everyone. Does that tell you that the number of people really willing to get involved in an app, and do the little bit of work that's involved in it is perhaps – is a smaller number than you might like? That's the first one.

Secondly, there's a general feeling that consumer spending in the UK has held up a bit better than we were fearing if you go back six months. I don't know how within your business you measure that, and whether that's a shift towards frozen food or private label, but how are you seeing that trend at the moment? Has that levelled off?

Finally, on the Bank, I think you got a dividend of £50 million last year. I get the impression you're not necessarily expecting that again in the year ahead but are you getting to the point where you can upstream a bit of cash every year quite reliably? Thanks.

**Simon Roberts**

James, thank you. So, I'll try to cover Nectar Prices and Your Nectar Prices and we'll talk a bit about what customers are doing and then Bláthnaid will cover the Bank for us.

Okay. So, just to be really clear, we see Your Nectar Prices and Nectar Prices as two quite different propositions. One is driving personalised prices for customers, and actually, we're really encouraged with how that's grown since we launched it in September 2021.

Over two million SmartShop customers are using it, and it's giving personalised value on the app that customers are really buying into. We very consciously started on SmartShop because it was clearly a way of embedding that digital customer journey and customers are using it very well. Then we've added Nectar Prices now, available to everybody. So, when we think about the fact there are 18 million Nectar users overall, there are 11 million digital Nectar users, it's the combination of these two factors that we think is very compelling. We think about it as the power of purple; it's really connecting with customers in the way they think about Nectar Prices just for me and then Nectar Prices across the rest of the shop.

As I said, we're only just two weeks in. So, no complacency here at all. We've got a lot in front of us to do but the early signs are very strong. If you go into our stores today or online, and see the value in the Nectar Prices offer, the team have worked really hard to put a brilliant proposition for launch together. It's definitely connecting with customers. As I said earlier, the key here is to unlock participation. As we unlock participation, we can get even better in how we serve customers, even more connected, personalised offers for them. Also, clearly, it powers Nectar360 too.

On customers, look, I think a couple of things. We've been talking about how a customer is responding to the cost of living, haven't we, for most of this year. I think the main trends broadly are the same which are, of course, in every shop, customers are watching every penny and every pound. They are making choices to move out of some products and into others. So, we've seen – we made a big change in our frozen offer earlier this year, that actually was timed – we didn't necessarily know all of this at the time – but it really timed well, for us, as customers moved into buying more frozen products.

We've seen frequency step back up again. So, people are buying what they need when they need it, trying to reduce the waste on Food. Also, we've seen strength in our Entry Price Point. That's the fastest-growing product tier in our offer. The team are doing great work at the moment which you'll see over the coming weeks to really extend what we're doing in that product. We're excited about that.

On General Merchandise, I think what we'd say here is, and you can see it in our numbers; categories like Home and Furniture have had a tougher time as people have cut back on discretionary spending. Areas like Consumer Electronics, for example, have done very well. The reason for sharing this morning just some of the recent examples on Argos, we're seeing the repertoire of brands that customers want to buy from Argos really open up as the team have done such a good job bringing more into the offer.

So, I think Argos is a very strong brand from the basis of value, but it's also on the desirable products becoming more attractive too. So, that's where we are in terms of behaviour. Bláthnaid, on the Bank.

**Bláthnaid Bergin**

So, on the Bank, firstly, we're really pleased with the £50 million from the Bank this year. That was the first time that we got a dividend from the Bank. It continues to remain strongly capitalised and that's great because that allows us to grow our lending and support our loyal Sainsbury's customers. So, once that growth comes through, we will consider further distributions from the Bank, but we're not giving a timeframe on that, and we have nothing decided at the moment on that one. Thank you, James.

**Simon Roberts**

Thanks, James. Do we have any more questions? Yes, I can see a question up there. Is it Sreedhar? I can just about see. Hi Sreedhar.

**Sreedhar Mahamkali, UBS**

Thank you. Three questions actually. The first one, if we just step back for the next two or three years for the sector and where it might be heading, with hopefully much lower inflation, do you think any of the drivers of what we've been describing in terms of rational behaviour, some of that might have changed? Or do you think this is structurally a more rationale industry? The first one.

The second one is on Retail Media. I'm trying to understand, I imagine in your ice cream example, the Nectar teams are talking to the brand to drive Retail Media revenue stream, I imagine, at the same time as your Buying teams are trying to get better prices, better promotional plans and things like that. How do you ensure this is genuinely an incremental profit stream to Sainsbury's shareholders?

The last one is, I think you've shown a very helpful margin bridge and that kind of pointed to 55 basis points compression in the gross margin. How does that talk to both on the Grocery side and the GM side? Thank you.

**Simon Roberts**

Sreedhar, thank you. So, let's look into the future as best we can. I'll pick that one up and maybe Retail Media, and maybe just in terms of our margin and the way we're thinking, Bláthnaid, I'll leave that one for you.

So, gosh, I guess if we went back three years and said, what's going to happen three years from now, I'm not sure many of us will have got where we've ended up. Probably the first point to say. So, I'll caveat what I'm about to say on the basis of we're trying to be really clear about the next year today, as far as we can.

But look I think that being said, the first thing to say is that there's still, isn't there, a lot of operating cost inflation to pass through and we're not in a situation here where Food margins are at elevated levels. We know that in the UK, particularly, Food margins are close to the most challenged they've been in a long while. So, as the Food industry has looked at different degrees to offset inflation for customers. We're inflating one to two percent behind the market which means that clearly, we're absorbing through our cost programs and the work we're doing with our suppliers as much of that inflation as possible.

So, when you then project that forward, and you think about where do we go next? I think this market will continue to behave rationally because it's incredibly competitive, as we all know, and because there's a lot of cost in the model. You know, 10% increases in labour, increases in energy and whilst they might come down, these costs aren't going to go away. Therefore, the question is how do businesses like ours adapt and change and transform to be able to create the headroom to do the things that we need to do.

So, I think rational behaviour continues. I think there are some very important issues industry-wide, food system-wide that we'll need to think about. I think the factors of sustainability, animal welfare, any of the choices we make as a business about what we make matter; those things, I think, will be important as we look ahead. Because customers increasingly will make choices where they shop based on how all of those things are taken care of.

Then I think looking in the broader market, I think one of the things you've seen us do is make sure that we have a strong, robust Food business, powered by a cost-saving program with then Brands that Deliver sitting around that. I think that equation is a healthy one for this business, one we will still see potentially. I imagine in the market, as we look ahead, customers are going to be looking for choice and they're going to be looking for value, and they're going to be looking for a differentiated experience. That's the way we're thinking about how we set ourselves up for the next two to three years.

Briefly on Retail Media because I've tried to cover as much as we could in the presentation, and certainly, some of the team – Mark is here, and Rhian is here, so, if, after the presentation, you want to pick up, Sreedhar, we can definitely do that.

But the headline here is we don't see these things as exclusive of each other. But we are very clear that by growing the number of Nectar customers, that gives us the roots to really deploy Nectar360 with brands, as you say, in a very compelling way.

That's the reason we committed to £90 million of incremental profit by March 2026. The way in which Rhian and her commercial teams talk with our suppliers on our terms there, and the way in which in our Digital Media and Nectar360, talk to our suppliers - these are different conversations because they're pointing at slightly different outcomes, and that's one of the reasons why we see more value here.

The last point to make is you've got to think as one business because we show up to customers as one business. So, that's the sort of net-net position. More value in Nectar360, helping serve more personalised impressions to customers and making sure we're working

really hard with suppliers on behalf of customers to keep prices down, which is what we do. Bláthnaid.

**Bláthnaid Bergin**

Great. So, just quickly. First of all, we are really pleased with the out turn that we have. We recognise that when we started this journey on our Food First program, we were too expensive. We have done most of the heavy lifting that we need to do today, and we're really pleased with that. We think we've navigated inflation really well, and that's really supported by the strong Save to Invest program, and you've seen the delivery there, £900 million of savings to date. Again, we're really pleased with what we have delivered there.

But the reality is there's still some inflation to come through the supply chain, and in an inflationary environment, we should not expect profit growth to match sales growth, but what I would say is the same gross cash profit is what we're targeting on that. The other thing is, what's really important is we do expect the market to behave rationally and to continue behaving rationally in the future. Thank you.

**Simon Roberts**

Sreedhar, thank you. Just checking, are there any other questions in the room? I can't see.

Okay. Have we got any questions online? James, we have. Okay. We need a microphone to James.

**James Collins**
**Director of Investor Relations and Financial Planning**

Thank you very much. The first one is a question on finance costs asking for a breakdown of why we're guiding to finance costs being higher year on year, and if there's any prospect for finance costs to come down after this year?

**Bláthnaid Bergin**

So, this year, we took on a term loan to be able to fund that Highbury and Dragon transaction. That was 21 high-quality stores that we brought back into our estate. We'll see some interest costs for that this year, that's about £20 million. But you see the offset of that further up in the P&L. So, as we travel through that term loan over the next three years, and we continue to build the strength of our balance sheet, we'd anticipate they should come down over time.

**James Collins**

Thanks. Then there was a question about Argos. So, the question is last year you guided to an expectation of a high single-digit volume decline. How do you see the prospects for Argos in terms of the volume picture for the year ahead, and what's embedded in your guidance?

**Simon Roberts**

Thank you. So let's just recap on Argos and where we are. The first thing just to say here is that we're really encouraged by the shifts in Argos that as a team we've made. It's a fundamentally stronger business.

Actually, one of the key components of that are, of course, sales are always important, but because the amount of structural costs that's come out of Argos, it's not as dependent solely on the sales line as it used to be. That's a really important shift for us.

Which means that when we think about this year, we're not expecting, in terms of our planning, to beat last year's number. As I said earlier on, we had some pretty significant effects last year, particularly in the summer and over Christmas. But we still do see strong market share performance in Argos. As I said earlier, it's value connection with customers has really come through.

So, we would expect volumes to be behind last year, but the underlying cost-based changes that we've made are really fundamental in terms of the robustness of our P&L there.

**James Collins**

The last one. I think you've covered this to a degree, but the question is, when do you think that food price inflation will peak? Do you expect still to be inflating food prices by the end of this financial year?

**Simon Roberts**

Yes, thanks. So I think - look, maybe just where we are on inflation, look, everyone's seen the ONS position. The first thing to say is that measure of inflation doesn't reflect the basket of everything customers buy. It's actually quite a narrow measure of the products that are in there.

Secondly, to James' earlier question, it doesn't reflect actually the changes in how customers shop. To be really clear, our rate of inflation is less than half the headline rate of inflation that's reported at the moment. That's because, as we've discussed, we've been so focused on that £560 million of investment in price, what we've done recently with Nectar prices, we're inflating 1% to 2% behind the market. So all of those things have improved our competitive position, and means, as I say, that we're inflating at less than half the headline rate of inflation.

Also, important to say, I think that, clearly, we are starting to see maybe in some supply chains getting to a point where we should see some rollover. We've seen that in milk recently, clearly. It's worth remembering, and the team did a great job just describing this with me last week, there's almost two waves really of the way inflation has come through in the market. Fresh Food were the areas that we saw inflation first, where commodities really fed through into Fresh Food prices, one would hope that we'll start to see that effect roll over as first.

Then of course in other areas in Grocery, there's still a lot of inflation to get through. Now the impact of energy, as we know, is still significant, and obviously of labour costs too.

So we're all hoping, aren't we, and expecting inflation to start to come off this year so that prices go up less quickly. But not all products are created equal, not all supply chains are created equal, and it will take some time for that to feed through.

**James Collins**

Thanks. There are no more questions online.

**Simon Roberts**

Okay. Any final questions in the room before we conclude?

Okay, well, just to say a huge thank you to everyone in the room and online for joining us for our results this morning. Really appreciate your time and all the questions as well.

Also, just to say a huge thank you to all of our team, really proud of what our team have done this year. It's great many people are here in the room and online too.

We're well set for this year, and we look forward to talking to you again soon.

Thanks for your time this morning.

**Bláthnaid Bergin**

Thank you.

**End**