

## First Quarter Trading Statement for the 16 weeks to 24 June 2023

### Lower prices on most popular products driving return to volume growth

#### Trading Highlights

Continued strong Grocery momentum, reflecting investment in value, innovation, service and availability, driving a return to volume growth and strengthening market share outperformance<sup>1</sup>. General Merchandise growth driven by further Argos market share gains<sup>2</sup>, with strong Consumer Electronics sales offsetting weaker early Summer seasonals performance.

- Like-for-like sales (exc. fuel) up 9.8%. Total Retail (exc. fuel) sales up 9.2%
- Strong Grocery performance, with sales up 11%
- General Merchandise sales up 4%, with Argos sales up 5.1%
- Clothing sales down 3.7%
- Outlook unchanged; continue to expect FY23/24 underlying profit before tax of between £640 million and £700 million and to generate at least £500 million of Retail free cash flow

Sales Performance (YoY)	Q1 16 weeks to 24 June 2023
Grocery	11.0%
General Merchandise	4.0%
<i>Argos</i>	5.1%
<i>Sainsbury's GM</i>	(1.2)%
Clothing	(3.7)%
<b>Total Retail (exc. fuel)</b>	<b>9.2%</b>
Like-for-like sales (exc. fuel)	9.8%

#### Simon Roberts, Chief Executive of J Sainsbury plc, said:

"We are putting all of our energy and focus into battling inflation so that customers get the very best prices when they shop with us, particularly now as household budgets are under more pressure than ever. Food inflation is starting to fall and we are fully committed to passing on savings to our customers. Since March, we have invested over £60 million in lowering prices, leading on price cuts across more than 120 essentials like bread, butter, milk, pasta, chicken and toilet roll. Prices on our top 100 selling products are now lower than they were in March, against a market where prices have gone up. Customers have also saved over £90 million since we launched Nectar Prices in April. In addition, we're offering great value through Stamford Street, our entry price range and through our biggest ever Aldi Price Match campaign. All of this is underpinned by the continued delivery of our cost saving programmes.

"Customers can see that prices at Sainsbury's have improved and this combination of great value and some good weather in recent weeks means we have grown our food volumes and market share. Customers are choosing us when they want to celebrate and we grew ahead of the market over Easter, the Coronation and the bank holidays. The progress we have made improving availability, value and convenience at Argos means we are well placed to deliver for customers in Argos's 50<sup>th</sup> birthday year.

"Our colleagues are so important to delivering leading standards of customer service and we continue to do everything we can to support with the cost of living. Colleagues tell us how much they appreciate the free food in stores, distribution centres and contact centres and we have now extended this indefinitely as well as offering additional discounts to help save money over the Summer."

#### Strategic Highlights

**Food First:** Stronger sales growth was driven primarily by a return to volume growth, helped by a particularly strong performance over bank holidays and warmer weather towards the end of the quarter. Growth was led by our Convenience stores and Supermarkets, as customers continued to return to stores. Market share gains<sup>1</sup> were driven by the further improvement of our value proposition, including the successful launch of Nectar Prices in April, and continued investment in availability and service. We are consistently outperforming the market at key seasonal events<sup>3</sup> as more customers continue to choose Sainsbury's to celebrate at home, recognising our combination of great value, quality and innovation.

#### *Value:*

- Determined focus on maintaining our improved value position<sup>4</sup>, reinvesting cost savings and the benefit of higher volumes to offer customers great value, consistently inflating behind key competitors<sup>5</sup>
- Led the industry on passing lower cost prices through to customers on the food and household products they buy most often, with prices on our top 100 selling products now lower than they were in March
- Strong momentum with the successful launch of Nectar Prices in April. Over 1 million new customers have signed up to digital Nectar. Customers have already saved over £90 million through offers on more than 3,000 products
- Moving entry price point brands into a single brand - Stamford Street - making our lowest priced range more visible and appealing to customers. Stamford Street offers around 200 everyday staples at low prices and over 40 per cent of Stamford Street products are included in our biggest ever Aldi Price Match campaign. Entry price point remains our fastest growing product tier and our Own Brand sales grew 13 per cent overall

#### *Innovation:*

- Launched over 300 new products during the quarter, including around 130 Taste the Difference products, and we've almost tripled Summer innovation over the last two years<sup>6</sup>. Our Summer Edition range is particularly popular, with best-sellers such as the Taste the Difference Signature Burger, Taste the Difference Greek Inspired Whipped Feta Salad and our award winning Slow Cooked British Pork Ribs
- Taste the Difference continues to power our performance at key seasonal events as customers consistently choose Sainsbury's to treat themselves at home. Sales growth of twelve per cent in Taste the Difference fresh products contributed to market outperformance of at least three per cent across each of the key seasonal moments during the quarter<sup>3</sup>
- Celebrated our best-ever Easter weekend as the only retailer to see volume growth in Easter categories<sup>7</sup>. This success continued with the Coronation, where customers celebrated with traditional British favourites, such as our Taste the Difference Cornish Clotted Cream Scones with Taste the Difference Coronation Jam

#### *Service:*

- Supermarket customer satisfaction continues to be ahead of full-choice competitors<sup>8</sup>, with scores for speed of checkout and colleague availability particularly strong<sup>9</sup>
- Groceries online benefitted from improved availability, technology upgrades, operational efficiency and strengthening of value messaging. Nectar Prices is now a key part of how we present value to customers online and this will be further enhanced later this year, when we introduce personalised discounts through Your Nectar Prices to Groceries online
- We're continuing to support our colleagues with more regular colleague discount uplifts over the Summer and extending free food in colleague areas indefinitely. Higher levels of colleague engagement continue to drive leading customer service<sup>8</sup>

#### *Plan for Better:*

- Led the way in sustainable fish sourcing, becoming the first major supermarket to sell 100% Marine Stewardship Council certified pole and line caught canned tuna across our Own Label and price matched to Aldi for the first time
- Launched our Food for Good initiative, as part of our Nourish the Nation programme, donating 50p from every product sold in our Inspired to Cook range to Comic Relief to support local food clubs and fund initiatives to help prevent food poverty now and in the future<sup>10</sup>
- Combining innovations in construction and engineering, opened our new flagship supermarket in Hook, projected to be our most energy-efficient store

**Brands that Deliver:** Argos continues to gain market share<sup>2</sup>, driven by further improvement in product ranges and availability. Strong growth in Consumer Electronics and Household Electricals more than offset a slow start to seasonal sales.

- Argos sales continued to benefit from consistently strong availability in Mobiles, Tablets and Gaming Consoles and ongoing demand for energy saving products. The later arrival of warmer weather impacted seasonal sales early in the quarter. Argos sales growth was diluted by c.1.1% (c.0.2% of Total Retail exc. fuel sales) by the closure process for Argos in the Republic of Ireland
- Sainsbury's General Merchandise sales were strong over key events, with product ranges complementing our strong food offer. This largely offset the impact of weaker seasonal sales
- Clothing sales were impacted by the cooler weather, with stronger sales in the later weeks of the quarter as the weather improved. Full price sales participation increased year-on-year in a highly promotional market. Clothing Online has benefitted from the migration to the Argos web platform and the introduction of more third-party brands
- Financial Services is performing in line with expectations and continues to deliver on its focus of providing services for Sainsbury's and Argos customers

Like-for-like sales performance	2022/23				2023/24
	Q1	Q2	Q3	Q4	Q1
Like-for-like sales (exc. fuel)	(4.0)%	3.7%	5.9%	7.8%	9.8%
Like-for-like sales (inc. fuel)	2.9%	7.7%	6.8%	5.9%	3.9%

Total sales performance	2022/23				2023/24
	Q1	Q2	Q3	Q4	Q1
Grocery	(2.4)%	3.8%	5.6%	7.4%	11.0%
Total General Merchandise	(11.2)%	1.2%	4.6%	7.6%	4.0% <sup>11</sup>
GM (Argos)	(10.5)%	1.6%	4.5%	9.3%	5.1% <sup>11</sup>
GM (Sainsbury's)	(14.6)%	(1.3)%	5.4%	(1.0)%	(1.2)%
Clothing	(10.1)%	(0.2)%	1.3%	(1.9)%	(3.7)%
<b>Total Retail (exc. fuel)</b>	<b>(4.5)%</b>	<b>3.1%</b>	<b>5.2%</b>	<b>7.1%</b>	<b>9.2%<sup>11</sup></b>
Fuel	48.3%	29.1%	12.2%	(2.8)%	(21.4)%
<b>Total Retail (inc. fuel)</b>	<b>2.5%</b>	<b>7.2%</b>	<b>6.2%</b>	<b>5.4%</b>	<b>3.3%</b>

## Notes

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.

A webcast presentation and live Q&A will be held at 9:15 (BST). This will be available to view on our website at the following link: <https://sainsburys-q1-trading-update-july-2023.open-exchange.net>

A recorded copy of the webcast and Q&A call, alongside slides and a transcript of the presentation will be available at [www.about.sainsburys.co.uk/investors/results-reports-and-presentations](http://www.about.sainsburys.co.uk/investors/results-reports-and-presentations) following the event.

Sainsbury's will announce its Interim Results for the 28 weeks ending 16 September 2023 on 2 November 2023.

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<sup>1</sup> Nielsen panel data, Grocery volume change – Total FMCG excl. Kiosk and Tobacco. 15 weeks to 17 June 2023 vs 15 weeks to 18 June 2022

<sup>2</sup> GfK tracked volume market share, three months to May 2023. NPD data for Toys

<sup>3</sup> Nielsen EPOS data - JS volume growth YoY% difference to Total Market growth YoY% for key events week growth versus last year events week (King's Coronation 2023 compared to Queen's Jubilee 2022)

<sup>4</sup> Value Reality, Q1 2023/24 vs Q1 2022/23. Edge by Ascential, internal modelling

<sup>5</sup> Nielsen panel data, Total FMCG excl. Kiosk and Tobacco. Top 100 SKUs by retailer. Average Selling Price YoY growth. 52 weeks to 27 May 2023

<sup>6</sup> Taste The Difference – number of Summer innovation products in Q1 2023/24 vs Q1 2021/22

<sup>7</sup> Nielsen Panel data – Total Easter categories only. 4 weeks to 15th April 2023 vs 4 weeks to 23rd April 2022

<sup>8</sup> Competitor benchmarking survey. Overall Supermarket customer satisfaction % score

<sup>9</sup> Competitor benchmarking survey. Q1 2023/24 Supermarket customer satisfaction % scores

<sup>10</sup> Food for Good initiative will run from 31 May to 11 July 2023

<sup>11</sup> General Merchandise sales growth was diluted by c.0.9% (c.1.1% Argos sales, c.0.2% of Total Retail exc. fuel sales) as a result of the closure process of the Argos business in the Republic of Ireland