J Sainsbury plc – Q3 Trading Statement
Wednesday 9th January 2019 – 8.45am

Mike Coupe
Chief Executive
Good morning everyone and Happy New Year and welcome to the Sainsbury's Quarter 3 Trading Update Call which covers the 15 weeks to January 5th. I am joined here today by our CFO Kevin O'Byrne and I am going to ask Kevin to run through some of our Quarter 3 highlights in a moment and then we will hand you over for the Q&A.

Just before I hand over to Kevin, I know you will all be keen to hear an update on our proposed merger with Asda. As you know we made an application to the Competition Appeal Tribunal in December as the CMA had not provided us with adequate time to respond to our large volume of working papers. The Tribunal agreed that we needed additional time to respond to these papers and we have since provided detailed responses to the CMA. The CMA has updated the timetable published on its website and now intends to publish provisional findings in January or early February rather than early January. I am unable to comment beyond that other than to say we continue to work constructively with the CMA and remain confident in the deal and our ability to deliver the synergies.

Now Kevin will take you through the highlights of our Quarter 3 Trading period.

Kevin O'Byrne
Chief Financial Officer
Thanks Mike and welcome everyone. I will take you through some of the key numbers. Turning first to like-for-likes. Retail like-for-like sales declined by 1.1% with a positive grocery number offset by general merchandise decline. We have also disclosed total sales movements for grocery, general merchandise and clothing.

On grocery first, we have seen a solid performance over the Quarter reflecting strong service and availability and improved price position versus our competitors. Behind a total sales growth of 0.4% we saw broadly similar volume performance to H1 in a slower market with most of the change in headline growth coming from lower inflation. Market share data suggests that our grocery volume performance improved versus our competitors over the period particularly in core grocery categories. We continue to generate strong growth in our online grocery business, up 6% and Convenience Stores up 3%.

General Merchandise saw a sales decline of 2.3%, Argos delivered a strong growth over the key Christmas weeks but saw sales declines earlier in the Quarter impacted by a weak consumer backdrop and our decision to reduce promotional activity over Black Friday. We gained market share in key categories such as toys and electricals, but both of these categories were in decline over the period with the toy market in particular down double digits.

Argos stores inside Sainsbury's stores performed particularly well and we are pleased to see the stores in their second year of trading delivered average like-for-like growth of above 10% now at a much larger sample of 138 stores.

Mobile transactions accounted for more than 50% of Argos sales over the Christmas period and General Merchandise margins continued to be impacted in the highly competitive environment and by the mix impact of strong growth in lower margin categories such as mobile phones, smart audio and video gaming consoles.

Finally on clothing. Our headline sales decline at 0.2% represents a good performance relative to the market, despite fewer promotional days year-on-year. In the period we delivered double digit growth in full price sales.

So overall a good operational performance against a tough backdrop with some good progress across the Group.

We will now open up the call up for your questions.

Question and Answer Session

Question 1

Nick Coulter, Citi
Hi good morning and a Happy New Year. Can I just ask about the shape and drivers of your grocery growth firstly. You have alluded to very encouraging volume growth and that looks like it has been progressive over the past few months. But my question was more on the mix shift which looks like it is negative at both the market level, but specifically in your offer. So it would just be interesting to understand the mix shift that you are seeing in grocery, notwithstanding the positive volume?

Answer: Mike Coupe
Yeah I think there are probably a couple of things to reflect on Nick. I think when all the dust has settled and we see all the market data, I suspect we will see a slight down trading from a customer point of view. So effectively that has an impact on the average selling price of what we sell in our business and our grocery business in particular. That is the first point.

The second point is relatively speaking, we as we measure it, have improved our price position to our competitors and therefore we have in effect less inflation in our business than our mainstream competitors. And if you look at the main difference between the previous reported Quarter and the Quarter we have just reported, that is probably the biggest swing factor.

But those two things are kind of are working hand in hand and that is why we remain cautious about the outlook over the next period of time whilst we go through this period of relative uncertainty.

Further question
Your like-for-like inflation on the available data looks to be better than the market, but it looks like you have a disproportionate mix shift over and above the market. Is there

anything you would call out on promotional shift or the like that would make that difference? Because obviously that is impacting your headline growth rate?

Answer: Mike Coupe
Yes it is slightly less promotional than it was last year, so you could argue that would work the other way. And to be quite honest at this point given that we have only just closed the quarter, sort of doing all the details of exactly where the mix shifted and why is something that we will be doing over the next period of time. But you can take it in the round and I suspect we will see this reflected more widely in the market that there has been some sense of caution from customers and in effect they have down traded either within the mix within each individual company or overall between companies. And as I say I think you can see that reflected in the market data that was reported over the last couple of days.

Further answer: Kevin O'Byrne
Nick, one example that we would see in our business for example, in Taste the Difference while it grew over the trading period, it grew more slowly than it did in previous quarters. So that would indicate a little bit of caution from consumers.

Further question
Okay, great. And just secondly on General Merchandise which I guess this has been a talking point this morning and I know it is a Sales Call. But your actions around Black Friday seem to have been about not chasing profitless sales. So notwithstanding a very different seasonal pattern, how should we think about the sales mix relative to your comments at the Half? I know you kind of called out lower margin categories in your commentary, but how should we think about the mix versus the trend that we had in the first half? Thank you.

Answer: Mike Coupe
Yeah again we talked a little bit about this at our November update. The reality is that first of all there is an extremely cautious consumer backdrop and secondly there are a lot of retailers with distressed stock. So picking your way through that in a way that is sensible, strikes the right balance between offering great value to customers, but does not blow your brains out on selling stuff at low or no margins is the line that we have trodden during the course of this Quarter. That meant that we were less promotional on Black Friday and in the end that is the biggest single factor in our underlying General Merchandise offer.

But we also saw the business perform extremely strongly in the last week or so before Christmas and indeed the week after Christmas. So a lot of the volume came back, but came back extremely late and probably at a level that even we weren't expecting. The other big swing factor that we talked about is the fact that there are some pretty significant parts of our business, toys being the most obvious example, where the market has been in quite dramatic decline. So toys double digit decline if you look at the overall Quarter. So we would have done extremely well in market share terms. But it is against a backdrop where the market has been extremely challenging in that particular category.

Further question
So when you look at that strategy to kind of target full price sales over promotions, I guess both in Clothing and in General Merchandise across Argos and in store has that strategy paid off or paid back in the round?

Answer: Mike Coupe
Yeah we wouldn't do it if we didn't think it was commercially sensible and as I said we are managing our way through a very uncertain time with a very cautious consumer outlook and striking the right balance between delivering value to customers where you are competing with people who are quite often are in distress. Making sure that we manage our margins sensibly and that we manage our stock cover sensibly is the line we are treading and we think we have done a pretty good job over the Christmas period.

Further answer: Kevin O'Byrne
And Nick that is against a backdrop of a difficult mix in the business because we are clearly mixing down into lower margin electricals more, which clearly hence we are trying to manage that.

Further question
Is that mix impact more exaggerated than it was in Q2?

Further answer: Kevin O'Byrne
No similar.

Nick Coulter
That's super helpful. Thank you so much.

<u>Question 2</u>

Dusan Milo, Berenberg
Good morning. Just two questions for me I guess. The first one is on if you can talk a little bit more about the grocery growth throughout the 15 week period and what the exit rate was on grocery sales? Because we have heard kind of contradicting commentary from the companies and things that is Kanta is kind of indicating.

And then the second one is on General Merchandiseyou mentioned that the toys were in double digit decline and you are saying you outperformed the market. So can you tell us maybe by how much you are outperforming and what the market growth was over the period in the categories that you are benchmarking against?

Answer: Mike Coupe
I might disappoint you with regards both the questions. We wouldn't comment on any particular aspect of the Quarter. We report a 15 week Quarter, we have reflected in our Statement the fact that Christmas came very late and was very different to the last time that Christmas fell on a Tuesday. It is a particularly challenging phasing because of the way we trade for less hours on the Sunday. But the pattern of trade was actually very different this year to the last time Christmas fell on a Tuesday which was 2012but we never comment on an exit rate. We would look at the Quarter in the round because there are always swings and roundabouts in any trading quarterand indeed we don't

break out any particular category. We have given you as much colour I think as we can on toys. The market was in double digit decline. I mean you can take it I guess by implication that our toy business saw a slight decline, but nevertheless our market share grew pretty significantly and we took more than our fair share of the demise of Toys-R-Us during the course of the trading period. So that is about as far as we would go in trying to disaggregate the numbers any further than we already talk about.

Further question
And just one more then. You are flagging that you have improved your pricing relative to peers, can you maybe just, is it the external data you are looking at or your internal data, is it in any specific kind of category or any further comment on that?

Answer: Mike Coupe
I mean again we wouldn't break it out. But it is backed up by the recent Kantar data as well. And to be quite honest, we are a few days after the end of the Quarter and therefore unpicking the sort of relative mix effect versus the pricing effect is something that we will be doing over the next period of time on a much more detailed basis, category by category, product by product. So I couldn't even if I wanted to, I couldn't give you a lot more colour than we have already talked about. But we have definitely seen relatively speaking an improvement in our price position to our competitors but we have also seen effectively a mix effect where customers are choosing to be cautious and in effect trading down and we have already talked a little bit about the fact that is reflected in a slowdown in our Taste the Difference growth and that has an effect on the price that we realise for every unit of product that we sell.

Dusan Milo
Okay thank you. I will leave the consensus questions for someone else. Thanks.

Question 3

Kiranjot Grewal, Bank of America Merrill Lynch
Morning. Firstly, could you comment on the new space impact in the Quarter?

And also are there any suggestions that consumers are trading down in terms of stores, i.e. are you picking up any new customers at Sainsbury's potentially from the higher end players?

And then the third question is on price positioning. You said it is improving. How have you done that? Is it more promotions or is it still focusing on reducing the underlying unit pricing? Thank you.

Answer: Mike Coupe
Yeah I mean the trade down point, I don't think we will know until we see switching data from the various panels that we get and we haven't had that data yet so it is difficult comment directly on it other than, you saw the Kantar data yesterday and that would imply a sort of level of caution in the way that customers have shopped. And broadly speaking some element of trading down either within the mix or within the various players in the marketplace. The extent to which we benefited from that I couldn't comment on at this particular point in time simply because we don't have the data.

As far as pricing is concerned, in effect we are inflating less fast than our competitors is probably the best way of putting it. There was still inflation in the marketplace, but one way or another our inflation is lower than our competitors which implies that our prices are not going up as fast as our competitors.

Further answer: Kevin O'Byrne
Just on the new space point. Where we put space in the group it is more in General Merchandise than clothing. We have allocated more space in the supermarkets for clothing and General Merchandise clearly, we are rolling out the store in store so we are giving more space to General Merchandise. There is not a lot of increase in new space in food as you would expect.

Further Answer: Mike Coupe
And I think so far this year we have opened three supermarkets and four Convenience Stores so it is very much in the rounding.

Further question
I am just I suppose following up on your comment on Clothing. Your Clothing print seems pretty resilient particularly given the backdrop of apparel in the UK. Any comments on this or is it predominantly driven by that Clothing space you have been locating? Thanks.

Answer: Mike Coupe
No we are pleased with the performance. I mean the Clothing business in Sainsbury's has been robust not just for the last year but for many years. Clearly it benefits a little bit from space, but it is also now increasingly being driven by growth in online. So we are seeing strong growth albeit from a very small base in our online business. And indeed the sort of overall macro picture is we have grown share in General Merchandise and Clothing. So against a challenging backdrop we are pretty pleased with the performance.

Kiranjot Grewal Perfect. Thank you.

<u>Question 4</u>

Andrew Gwynn, Exane
Morning everybody. Happy New Year to you guys. Two questions from me, actually go for three, so I will be the boring person who asks about consensus, maybe also for early comments on next year if you want to make any.

The other question, a bit more interesting, I mean obviously over the summer you highlighted some operational issues within the stores. Do you think that is sort of now fully behind us? Obviously there has been some commentary over Christmas that you have had perhaps a couple of availability issues, but I think as you said yourself, you can always find those in any store.

And the last one which is a very big picture question that with the benefit of hindsight, is there anything you would have done significantly different about Christmas?

Answer: Mike Coupe
Okay. Well let's take the first one. You know we would measure our operational metrics literally by the hour ongoing and that is particularly the case in the run-up to Christmas. If you look at availability as perhaps one measure. Our instore availability this year was identical to last year. So that would suggest we are running our stores to a similar operational standard. Anecdotally lots of us were out in the business and I think we would all take the view that it was one of the smoothest operational Christmases that we have ever experienced. We didn't have any weather disruption, none of our DCs fell over all of our systems worked and we came out of Christmas pretty clean within the Grocery business of stock. So we are pretty pleased by how we managed that.

And there was a degree of nervousness given the amount of new management in our business in September, but it has to be said that our store teams pulled together brilliantly well and were really up for the challenge and did a great job of serving our customers week in week out.

With the benefit of hindsight, as any Christmas, there will be plenty of things we will go back on and say we could do differently or better. I think we pitched it pretty well. We knew there was going to be a challenging backdrop. We bought accordingly. We were also determined that we weren't going to get carried away in terms of the blood and guts of some of the extreme distress in the marketplace. I think there was an element of having to hold our nerve. It was certainly I think people were reflecting the fact it was a damp November in every sense of the word and therefore that certainly created a degree of nervousness about making sure we were able to manage our stocks very tightly. But it did come through and it came through late.

So like all of these things there are always things you can learn and do better and it would be naive not to say so. I am not going to highlight them now because we haven't really done the wash-up and we won't do that for another couple of weeks. But we were pretty pleased with the way we managed things over all.

Answer: Kevin O'Byrne
And Andrew just picking up your first point on consensus. As you know we don't routinely comment on consensus with Trading Statements. So if there was something to say we'd have said it. And as far as next year, we don't comment on consensus for next year until we complete this year. And I think given the current environment that is probably more relevant this year than any year.

Further question
Okay that is the three ones I had. I mean Morrison's, I think it was David asked Morrison's yesterday just on the kind of Brexit impact. Given your year end is in March a bit nearer B Day or whatever people are calling it, is there anything you want to flag in terms of cash flow for year end, particularly around inventory build?

Answer: Kevin O'Byrne
Not at this stage, but that is not say that there might not. I mean clearly we don't run the business for a day in the middle of March. We run the business for customers so if we needed to do something to protect the business and give better service to customers I would be very relaxed that we would do that because it would actually

have no real effect on our cash, it would just be a timing difference. But don't envisage anything material at this stage.

Answer: Mike Coupe
I mean just to reflect, I mean the question has been asked a couple of times in different ways. If you think about Brexit, there are in effect only two scenarios. There is one where there is some kind of deal done and some kind of continuity and some kind of transition period in which case nothing changes. The other extreme which is that there is a hard Brexit. The least of our problems will be managing whether or not we have got working capital tied up in stock. It will become a significant operational challenge not just for us but for the whole industry and for retail in general and I suspect for the country overall. So any questions you might have about how much working capital we might have to bring into the business will be in the rounding if it ever came to a hard Brexit.

Andrew Gwynn
Yeah let's hope not. Okay, thanks very much.

<u>Question 5</u>

Bruno Monteyne, Bernstein
Good morning, Happy New Year Mike and Kevin. First question is on what you said about the merger processing. You are working constructively with the CMA. But given that they have a standard option for an 8 week extension for more complex cases which seems to apply, I just don't see how it is constructive if you have to go to Court to get 11 days when actually 8 weeks ought to be feasible within their own processes. So how constructive is that process really? How come you have to come to such a clash?

Answer: Mike Coupe
Well I stand by what I have already said and I am not going to go beyond what I have already said. We disagreed with the CMA about the timetable they set for our responses to their working papers and the Court ruled in our favour. So in the end that played its way out. We subsequently met the deadline that was then set. We have delivered all of our responses to the working papers and the timetable is what the timetable is in terms of what is currently published on the CMA website. And beyond that you would have to ask them about whether or not they may or may not extend the process beyond that.

Further question
The second question is around Grocery. I mean it is in few calls where you referred to inflating less than your competitors, we can see the data about your volumes being around the same as other grocers. But given how you have been investing in prices, you seem contrary to volumes, your reported like-for-likes counter growth, none of them really, you are still at the bottom of the league of all the grocery, the big four retailers. How long do you think you will need to invest and keep going before you sort of catch back up or not any more at the bottom of the grocery league table in growth numbers?

Answer: Mike Coupe
Well we just don't agree with you and it is not borne out by the facts. If you look at our underlying volume performance over the last reported 12 weeks we would certainly be in the pack and in fact depending on how you exactly measure it, we would either be first or second. And even within that there are some anomalies. A number of our competitors for instance have invested a lot of money in growing their alcohol sales probably at no profit. So I just don't agree with your question and we can show you the slides, the Kantar slide that shows you the 12 week volume performance and the 4 week volume performance relative to our mainstream competitors and as I say either we are first or second in that league table.

Further question
And you do refer to strong sales growth over the Christmas in General Merchandising. I mean strong sales growth, should I be thinking about close to double digits strong sales growth? How do you define strong sales growth over Christmas?

Further answer: Mike Coupe
We are not going to break out any particular time period. If you try to characterise the Quarter, remember it started somewhere towards the early, sorry the late part of September, early part of October. The early part of the season was characterised by the fact it was mostly like for summer and there wasn't really a cold snap and all of the categories that we respond to colder weather underperformed quite significantly and a number of people have reflected on the fact that particularly in clothing and General Merchandise November was extremely challenging and we would certainly see that reflected in our numbers.

We have already talked about the fact that we deliberately were less promotional for Black Friday and that is the single biggest factor that has played into our General Merchandise performance. But then the latter part of the season, particularly the week before Christmas and the week after Christmas we saw extremely strong sales and stronger than we were expecting. So in the round that was the sort of flavour of the Quarter actually giving you the specifics of exactly which week we did what percentages we are not going to do that Bruno I'm afraid.

Bruno Monteyne
Thank you.

<u>Question 6</u>

David McCarthy, HSBC
Hi, good morning. A couple of things. One is can we go back to the toy market. You say it is in double digit decline. I can see why there would be some decline if capacity has gone out the market, but what I don't get is why it is so big. So is there something structural going on there? Is it that people are just buying different products for their kids, you know more clothing whatever it is rather than toys? Have you got behind this and why you have got this double digit decline?

And then secondly, if it is something structural, doesn't that concern you because you are the market leader and you bought Argos which is obviously very big in toys, the market leader in toys. Are you concerned about the structure of that toy market?

And then secondly, on Black Friday, you withdrew from that, you downplayed it and obviously that has had an impact on sales as you said. But presumably it has had a positive impact on your margin, but then you have said that margins in General Merchandise are under pressure. So is the underlying situation on margins in General Merchandise worse than first appears when we look at your figures and your comments?

Answer: Mike Coupe
I will ask Kevin to comment specifically on that particular issue. To be honest Dave, at this point I can't unpick exactly how children received their Christmas gifts this year. I suspect when it comes to it things like gaming would probably have grown more and that would be treated as a separate category to toys. There are on balance less babies being born in the UK, so that might also reflect a little bit on the market. The extent to which it is structural versus cyclical I genuinely couldn't tell you. Probably the other thing to reflect on is that there weren't really any big sort of merchandise releases this year so we didn't have a Frozen or a Toy Story type scenario driving toy sales. So I suspect when it comes to it we will find it is cyclical and not structural.

But I genuinely couldn't answer the question directly simply because we haven't got all the market data in and it will only be over the next 3 or 4 weeks that we will be able to analyse in any great depth exactly what has gone on within that market. It is fair to say however it is surprising and if actually looking that the rate of decline, it is pretty significant year-on-year and as you say isn't directly explainable by the fact there has been some market or some market exits during the course of the year.

Answer: Kevin O'Byrne
And clearly Dave, we did well from a share point of view in that declining market as we mentioned.

On the margin, Black Friday, yes we did, we managed it more for margin than for sales and yes we got the result we wanted. And mix is the biggest element in the margin pressure that we are talking about because if you sort of laid out our sort of big categories, electricals would be a lower margin than toys, toys would be a lower margin than home and furnishings etc. And there is a mix towards electricals which we saw in the first half as well.

Clearly there is some underlying pressure in the marketplace. We have got lots of retailers in distress. People will be running their business for cash etc. So there is some underlying there, but the big issue is mix for us.

Further question
And so is the margin pressure you are referring to then just around the gross margin or is there a cost pressure as well that goes beyond that?

Answer: Kevin O'Byrne
No it is just around the gross margin and it is mixing into lower gross margin categories.

Dave McCarthy
Alright, that is very helpful. Thank you very much guys and Happy New Year.

Question 7

Clive Black, Shore Capital
Morning gentleman and again a very Happy New Year to you. Firstly, can I just ask very briefly how you saw the promotional participation for Sainsbury's versus the market in grocery?

And then secondly, just more broadly perhaps for Mike, do you have an explanation why the pattern of trading in Christmas 2018 was so different because it has been reasonably consistent for many years?

And just referring to your comment about the uncertain consumer, which we kind of get, but how do you see that manifesting itself in their behaviour beyond buying less, trading down more broadly? And in that respect should we be particularly worried about your Q4?

Answer: Mike Coupe
Yeah, I mean taking each one. The level of promotional participation in our business actually declined year-on-year and I haven't see all of the Kantar data, but I suspect you will find that some others have increased the level of promotional participation, but that will come out and be clearer over the next few days and weeks.

I am not sure I can explain the pattern of trade to you. 2012 was the last time that Christmas fell on a Tuesday and to your point when we look historically and we plan for Christmas, we find that the pattern of trade is almost identical to the last time Christmas fell on a relevant day. And it works at a category and macro level for the business, notwithstanding the change of shape on things like online and Convenience Stores. So I genuinely can't explain why it came very heavily late and it was surprising. And there aren't any weather, obvious weather impacts that we can point at either.

So I think it is one of those things which is going to be a mystery and let's hope that next year does reflect a more historical trading pattern. It does make life easier to plan. We had the stock so it wasn't an issue around date codes because all the stuff that we put into the business was post Christmas dated from the Thursday and the Friday, but it came through on the Sunday and Monday rather than the Friday and Saturday. So from that point of view it is what it is and we will reflect on it, but I suspect we probably won't be able to answer your question.

As far as the consumer backdrop is concerned, we flagged it in November, we will continue to flag it. If you take the macro trends retail should be enjoying a reasonably robust period at the moment because there is more disposable income out there. But if you look at the way customers are behaving, they are behaving as if there is a recession is probably the best way of describing it. And that means they are tending to defer the purchases they don't need to make and you can see that reflected in things like car sales. It is reflected in the fact I think when we look at the market dynamics that there will be a general trade down either within businesses or between businesses. And you know you can make your own judgements about how that might play out over the next 8-10 weeks and unless and until we get certainty around what is happening on Brexit I suspect we will continue to be in that period of uncertainty. But beyond that I can't really reflect.

Further question
Okay, thank you. And Mike can you just give us any colour on the magnitude of your promotional participation year-on-year?

Answer: Mike Coupe
Thanks for you point, essentially lower year-on-year. So mid 20s to mid to low 20s.

Clive Black
Thank you very much for that. All the best guys.

<u>Question 8</u>

Rob Joyce, Goldman Sachs
Hi, Good morning, Happy New Year to you both. A couple for me on the Argos business actually. So thanks for very kindly providing the figures of the over 10% like-for-like of the stores you have moved into the Sainsbury's stores. I guess my question on that is, is the implication that the residual legacy Argos stores are actually performing slightly below on a like-for-like basis the 2.3 negative we saw in the General Merchandise category? And what are the implications for profitability on that basis given it is has been traditionally quite an operationally geared business? That is the first one.

And the second one is just on the mix impact you referred to, the sort of shift into lower gross margin categories. I think when we first discussed Argos a couple of years ago when you acquired it, we sort of noted that had been a major contributor to a sort of a 10 year decline in the gross margin of the business and you were looking at ways of reversing that and moving into other categories. Can you sort of give us an update on how that has been going? Thanks a lot.

Answer: Mike Coupe
Well I suspect, I mean I don't have the actual breakdown, but I suspect when you disaggregate the numbers you will see that within the sort of the core, you know non store-in-store Argos business, it will probably be broadly in line with the numbers that we reported at headline level, so sort of negative 2 to 2.5 level. So there is that change of course a lot of the business is now initiated online and I know it is incredible that 50% of Argos' sales were initiated through mobile phones. So again that reflects the changing nature of the market.

And on the buying cycle, we have owned the business now for two years, you are buying basically 9-12 months in advance in a business like Argos. So we have only just integrated the buying teams in the summer between the two organisations. But we would continue to have the aspiration of rebalancing the mix more towards the higher margin categories and they would be things like Clothing and Home. We have launched Clothing online within Argos as one example. But it is not as immediate as you get within the Grocery business simply because the buying cycles are longer and the kind of choices you make take longer to actually find their way through in the overall performance of the business. But that would certainly be our challenge and aspiration over the next period of time.

Answer: Kevin O'Byrne
And Rob it is probably worth saying, it will take some time and the current backdrop is not exactly helpful with the uncertainty we have talked about.

Operator
Thank you. At present we have no further questions. If you do wish to ask a question please key star and then 1 on your telephone keypad.

<u>Question 9</u>

Sreedhar Mahamkali, Macquarie
Morning guys. Just one quick question from me. In the round if the profit expectations are broadly unchanged, it either means you have planned for this like-for-like outcome or the margins were better somewhere else or cost savings came through. Can you just talk through the mix of that and is this the sort of context you planned for for 2019 in terms of like-for-likes as you sort of look forward? Should we be expecting a year of like-for-like not necessarily wanting to get guidance on it, but just in terms of talk through how you see the year please if you could?

Answer: Mike Coupe
Yeah again I am going to disappoint you slightly about not disaggregating the numbers. But you can take it hopefully from the tone of the conversation that we are having and indeed the flags that we gave you in November that we are expecting first of the consumer backdrop to be uncertain and challenging.

And secondly, with the amount of distress in retail that there will be a lot of stock at significant discounts. And of course that was amplified by the fact that seasonally the weather was unhelpful to any form of general merchandising and clothing retailing. And therefore that, if anything amplified some of the trends that you have seen more widely.

We planned the business on that basis, we are pretty pleased with the way that we have managed the balance between making sure that we showed up to our customers in the right way, that we managed the availability within our business, but we also didn't leave ourselves with significant or unmanageable levels of stock.

So in the round we have done that and we have done, we think, a pretty good job and we will continue to manage the business on that basis. You can take from me no indications of forward projections beyond the end of this financial year and what in effect we have implied within the Trading Statement today and we are not going to get into speculation about what next year looks like because we are in such uncertain times.

Further question
I understand. But the like-for-likes as we see them are entirely in line with your expectations, your own expectations?

Answer: Mike Coupe
Yeah, and I guess if you reflected on the numbers, it would be nicer to have had a stronger GM performance, but we would have expected that the consumers are under

pressure and that that would be reflected in the sales that we have seen come through and we did deliberately step back from Black Friday and we knew that would inevitably have an impact on the headline sales number.

Sreedhar Mahamkali
Got you. Thank you.

Operator
Thank you. At this point we have no further questions and we pass back to Mike for closing comments.

Closing Remarks
Mike Coupe
Well thank you everybody and looking forward to seeing you all over the next period of time, I am sure we will catch up soon and in the meantime, Happy New Year to everybody and we look forward to talking to you at our next update which is sometime in May. Speak soon. Thank you.

End