J Sainsbury – Third Quarter Trading Statement
Wednesday 11th January 2017 – 8.30am

Mike Coupe
Chief Executive

Morning everybody and a Happy New Year and welcome to the Quarter Three Sainsbury's Trading update call. I am joined by Ed Barker, our Interim CFO and Ed will run through the highlights and then we will hand over to you all for Q&A. Ed.

Ed Barker
Interim Chief Financial Officer

Thanks Mike. Morning everybody. As we indicated at our Interims in November, for the remainder of this year we are going to continue to report the old Sainsbury's and Argos performance separately. So starting first with the Sainsbury's performance. Total ex-fuel sales were up 0.8 per cent in the Quarter. This is after adjusting the comparatives for the sale of the Pharmacy business, unadjusted total ex-fuel sales are down 0.3 per cent in the Quarter. And we guided to this adjustment at Interims. Like-for-like ex-fuel sales were up 0.1 per cent and we are measuring food price deflation in the Quarter at 0.5 per cent. Total volume growth and like-for-like volume is flat year-on-year.

And we have again achieved like-for-like transaction growth across all of our channels, Supermarkets, Convenience and Online. And our Convenience and Online channels both performed well. Convenience growing 6 per cent, Online growing over 9 per cent with orders growing 13 per cent.

In terms of clothing, clothing has grown 10 per cent and general merchandise 3 per cent. So again another pleasing performance.

In terms of the Argos performance over the same Q3 period, 15 weeks to the 7th January, Argos has seen further improvements in its sales run-rate during the Quarter. Total sales growth of 4.1 per cent and like-for-like growth of 4 per cent. And that trading performance was ahead of our expectations. The key drivers of that performance versus last year, are the technology areas of mobiles and computers. And we have also seen good growth in toys and wearable technology, both of which have been key focuses for us over that peak trading period.

This means that if we were to combine the Argos like-for-like and the Sainsbury's like-for-like results, result in a combined like-for-like of 1 per cent in Q3.

So overall a solid performance in Q3. It is a continued execution of our strategy in a very competitive market, and given current market conditions, we are comfortable with the consensus that is published on our website and just to confirm that is at £573 million.

With that I think we will pass over to questions.

Question and Answer Session

Question 1

Bruno Monteyne, Bernstein
Good morning. Two questions from me. So one is the UK in general and you guys clearly have had a very good Christmas trading with more volumes coming through the door than probably people had hoped for and inflation slightly recovering. Surely that ought to be a profit boost for the entire sector and you guys I am talking about the food retail rather than Argos. So can you comment on that and to what extent you should have seen a profit uplift from this better than expected Christmas in the UK?

My second question is, I noted the comment about your growth in the new credit card business. I note you have very comparative personal loans, not that I need one, but I thought you had the best rate in the market. Are you starting to see that in your press release more important in terms of the growth of how aggressive you are going grow the Bank and the financial services book? Thank you.

Answer: Mike Coupe
I will ask Ed to talk about the first part of your question and then I will talk more widely about the Bank if that is okay Bruno?

Answer: Ed Barker
Bruno we are confirming our consensus on our website today, 573. We are pleased with that performance, that we have released the Argos numbers ahead of expectations. Again, but this is a very competitive market and we are not going to get carried away in a very competitive market overall. So happy to confirm consensus and will come back to you at Prelims and talk through the breakout of how that number is going to work between the different businesses. But overall, everything that we said at Interims really remains valid.

Further question
Maybe a different way of trying to ask the same question is was the Christmas volume uplift in the UK at Sainsbury's higher than you would have planned for getting into Christmas? Was it truly a big unexpected splurge by UK consumers or did you plan for that?

Answer: Ed Barker
No I don't think it was unexpected. We were flat like-for-like volumes and that compares to a small negative in the previous Quarter. So we haven't seen a really significant move within Sainsbury's. And then a lot of what you are also seeing within the market I think is different timing of people over different quarters as well. You have to remember this is a fifteen week quarter for Sainsbury's that we are reporting on as part of it. And what you will be picking up is other people's different timing differences in their reporting periods over Christmas.

Bruno Monteyne
Okay, thank you.

Further answer: Mike Coupe
As far as the Bank is concerned, yes I mean the Bank has been through a pretty significant period of re-platforming that I think has been well covered in the past, but now that we have the new Banking platforms in place, we have got some quite interesting and exciting things coming down the track. So you refer to credit cards. We also plan to relaunch our insurance proposition in the early part of the new year and indeed we are launching mortgages during

the early part of next year as well. So all of that gives us a lot of belief in the Bank and we will talk, I am sure, more about that when we actually get to our Prelim update in November. But we think it is a hidden jewel within the overall organisation and we believe that the one plus one, equals more than two formula works very well with the Bank. We know that if somebody owns a Sainsbury's credit card they spend more money in the supermarket chain and we think that is a reason, at least in part, to drive the credit card business.

Bruno Monteyne
Thank you

<u>Question 2</u>

Niamh McSherry, Deutsche Bank
Morning. I was just wondering if you could give any more colour on the performance of the Argos business or specifically the Argos concessions? That was the first question.

And then the second question was on the general merchandise and clothing business. Do you think that you are gaining market share in these segments? Thanks.

Answer: Mike Coupe
Yeah, the Argos concessions, we are really pleased with the performance, the ones that are annualised showed over the Quarter 20-25 per cent sales growth. But actually we are pushing numbers higher than that over the period before Christmas, pushing towards 40 per cent in the period up to Christmas. So again that gives us if anything, more confidence in the business case that we put to the market previously. We relocated two Argos stores, so closed the existing stores and moved them into our stores and again the performance if anything was ahead of the expectations that we had set ourselves. So although it is a very short period of time, we think we have demonstrated that our underlying modelling works. There is no reason not to believe that the arithmetic works.

And thirdly, that the operational performance over the period, again there have been lots of reservations about systems and whether or not the proposition would hold up. The operational performance of the Argos business is extremely strong, so we are really pleased. Website availability was good. Product availability was good, pricing was where it needed to be. So the colleagues in Argos did a fantastic job. So we are 30 in now, 30 stores in the stores. We are planning the next big tranche over the next period of time. We have committed to 250 over the next three years. Perhaps the other data point worth re-emphasising is the fact we do get an uplift of 1-2 per cent in the grocery business and again that has held consistently across the Quarter. And again that gives us confidence in the underlying synergy case that we put to the market.

By definition, if clothing was growing by 10 per cent it would have grown market share. I think you will see others report quite a challenging clothing market. And so we are really, really pleased with that performance. I think if there is one number I would pick out as a standout number that would be it. I think the clothing business was really, really exceptional over the Christmas Quarter. And even general merchandise again in a challenging market was showing growth. So the clothing and general merchandise business, the Argos business all gives us confidence in our ability to continue to grow our non food business as we look forward.

Further question
And sorry if I just follow-up on the clothing, the strong growth you had in clothing, was that in any particular category like children's, women's and do you think that it benefited from footfall from Argos or do you think it is just a good range you had this year? Anything in particular driving the growth?

Further answer: Mike Coupe
No I wouldn't pick out any particular sector. We had some high level stats where I think we talked before, we are now the 6th largest clothing retailer by volume and in some categories, I have given a stat, in children's wear I think we now sell more volume than Marks & Spencer in children's wear. So that shows you know the way we have developed the proposition over the last few years. And I think five years ago you would not have believed that was possible. But it is across the piece and it is in the supermarket chain. Argos would not really have made a material difference to the clothing business within the supermarket business. It is very much around the proposition that we offer our customers in our supermarkets. Perhaps the only bit of top spin above and beyond that is that we do have an online proposition in clothing. It is not massive, but it certainly has grown pretty strongly over the last year. So that adds a bit of top spin to the numbers, but the 10 per cent growth is predominantly driven across all categories in the supermarket chain, and as I say, was a standout performance.

Niamh McSherry
Okay, thanks.

Question 3

Rob Joyce, Goldman Sachs
Good morning guys, Happy New Year. Two from me. Just on the uncertainty around the impact of the devaluation of sterling, I look at the ONS data and that would indicate that food input prices are rising probably around 1 per cent in the Quarter which is ahead of where your deflation number around -0.5 per cent. Can you square those two numbers? Does that input level of input pressure across pressures make sense to you guys? And are you actually having to absorb a little bit of on the margin there?

And then the second one is just on Argos. Are you able to give us a feel similar to having the food business on the price volume in that business over the period? Thanks a lot.

Answer: Mike Coupe
Yeah, on inflation, you would have seen the previous Quarter we reported was about -1 and the last Quarter was -0.5, so by definition prices are falling less quickly than they were previously. It still remains uncertain. We said and we re-emphasise the fact that we remain competitive. Our job is to do everything we can to mitigate cost prices within our supply chains. And we will make sure that we put our best foot forward as far as our customers are concerned. It is one of the uncertainties in the market and we recognise that in the Trading Statement. And I genuinely could not put my hand on my heart and predict what the future might look like because there are so many moving parts. Although the currency has devalued, you also get commodity price changes which do have an influence on underlying cost prices and therefore potentially retail prices. So we will see how it plays out over the next period of time. We will remain competitive, we have got confidence in our underlying proposition. I think that is reflected in the numbers that we have published over the last period. In terms of the volume, value equation, I don't think we break that out specifically.

Answer: Ed Barker
Not for different categories, no and to the Argos performance, we won't be splitting that out overall.

Further answer: Mike Coupe
We give a fair amount of colour in terms of where the business has performed well and that is particularly in tech, in wearable, in toys and in some areas of seasonal. So that gives you a flavour, but Argos has such a diverse set of price points, I am not sure it would be a particularly valid measure, it is not the same as the food business in that respect.

Further question
Okay, thanks very much. And very quickly on the first point. I am guessing maybe in simple terms from what you have just seen in the past Quarter, did you see input costs rising ahead of consumer prices?

Answer: Mike Coupe
We were not talking particularly about that because we don't give guidance on gross margins and we are not going to start giving guidance on gross margins now. So you will have to work that out for yourself. You get the published national data. We certainly would not conduct supply negotiations in public, but we would recognise the fact that the outlook as we look forward is uncertain.

Rob Joyce
Thanks very much.

<u>Question 4</u>

Kiranjot Grewal, Bank of America, Merrill Lynch
Just two questions from me. Firstly are you able to give us more details on how the sales developed throughout the Quarter? Was the positive like-for-like number driven predominantly by a strong December or Christmas and if so, why?

And then secondly, should we expect any margin, any mix impact from your performance over the last Quarter?

Answer: Mike Coupe
As I said already, we don't comment specifically on margins so you have got the published sort of national data, you get the Kantar data, you get the Neilsen data. You can draw your own conclusions. We also report the fifteen weeks and we don't break out any particular time periods. We do it in a very vanilla way, we do it in a very like-for-like way. The only flavour I would give is more subjective and objective, which is undoubtedly the case that it came quite late and that is probably something to do with the fact that Christmas was on a Sunday and therefore people were kind of saving up to the back end of the week and it continued post Christmas pretty strongly as well and that is probably a function of the fact that lots of people chose to take an extended break and that seems to have reflected itself in the underlying performance. So we are pleased with the way our operational standard has held up in both Argos and Sainsbury's over the Christmas period. We think we did a great job for our customers. We think that is reflected in the numbers. We don't break out any particular sub-prime periods. It did come late and it did stay pretty strong after Christmas in our business.

Kiranjot Grewal
Okay, thank you.

<u>Question 5</u>

Edouard Aubin, Morgan Stanley
Good morning guys. Just two quick ones from me. The first one is on Convenience. I think the division did better in this Quarter than it did a few months ago, a few Quarters ago. So with less deflation in the system should we expect the outperformance of this division to increase going forward?

And the second one is just to come back on Argos, I think Fast-track was launched around two years ago and do you think these things run more smoothly logistically this Christmas than in 2015?

Answer: Mike Coupe
Yeah the Convenience business as you say, there was an improvement in the performance over the Quarter. We would argue that was propositional. There were a lot of big product launches like Food-to-Go that have particularly helped the Convenience business. It disproportionally relies on those types of products, the Food-for-Now products. So we are pretty pleased with that. We also rolled out Contactless during the course of the Quarter. A bit behind the curve, but I am pretty sure that would have had a beneficial impact on the Convenience business over the Quarter.

As I have already said, the Argos proposition was extremely strong during the Quarter, I don't think we had any major outages or issues and the guys did a fantastic job of delivering the broad brand promise.

Further answer: Ed Barker
Fast-track launched November last year, so we are annualising it now for the first time. And you have seen in the Quarter that the internet sales grew at Argos by 13 per cent, they now represent 57 per cent of the sales. And the Fast-track growth is in line with that as well and starts to make up a little bit more of the mix. And one sound bite for you, just to give you the quantity of vans and people out there, is over that Black Friday weekend, we delivered a quarter of a million Fast-track deliveries. So it is really starting to ramp up and I think from the advertising you have seen over the Christmas period as well, really starting to get some traction with customers. It is a proposition that is over 95 per cent of the country, which means that Fast-track deliveries were still taking place on Christmas Eve as well. So we were delivering all the way up to Christmas Eve and then again straight after Christmas. So it is a strong proposition and one we are proud of.

Edouard Aubin
Okay, thanks Ed.

<u>Question 6</u>

Alistair Davey, Indestec
Morning. A couple of questions from me. I am not sure how far I will get with them, but I will give it a try! Just in the spirit of old Argos reporting, is there anything you can give in terms of gross margin? You obviously talk of like-for-like sales being better than expected.

Second one, just in terms of things like white goods and homewares. Just reading between the comments, were they a little bit disappointing?

And lastly, is there any narrowing of guidance you could give on the Argos profit contribution, given Q3 is a good 50-60 per cent more important than Q4. So you should have a very good idea of where that stands now.

Answer: Mike Coupe
You shouldn't have started out like that, we might answer some of it or certainly answer the last one which is the guidance remains as it was in November. So the answer is no. We won't tighten up the guidance and that does not just go for the Argos guidance, it goes for the guidance as well. There is nothing that has happened that we are reporting today that would change anything that we said in November and we would want to stress that.

We gave you quite a lot of flavour on where we did well. I think you can draw your own conclusions in terms of the mix, but we are not going to break out the growth margin but you can work out from the categories how the mix might have gone. And actually the performance of the business was pretty strong overall. So again we are not going to pick out any of the categories you specifically mentioned. But actually in the round we were pleased with the performance. And I think if you look at the market data, such that it is, we will have seen market share growth in most of the areas that we compete in which as I say is pleasing considering the backdrop of what was a very competitive market.

Alistair Davey
Okay, thanks a lot.

Question 7

Nick Coulter, Citi Research
Hi morning. Three or four if I may please. Firstly could you comment specifically on the grocery like-for-like volumes quarter over quarter, notwithstanding a multi-buy impact?

And then secondly from your comments on grocery deflation, you seem to be implying non food inflation in the supermarkets. Directionally is that correct?

And then on the 9 per cent Grocery Online sales growth, and I think you said 13 percent order growth. Could you talk about your Grocery Online marketing strategy and how you are driving volumes into that channel as obviously that seems to be stronger than some in the market?

And then lastly, if I may, to follow-up on Edouard's question, could you comment on the space impact in Convenience, on the understanding of your like-for-like positive in that channel? Thank you.

Answer: Mike Coupe
I will ask Ed to do the second and fourth and I will do the first and the third. I think the grocery volumes are actually on the face of the Statement. So in the previous Quarter underlying like-for-like grocery volumes were slightly down, in this Quarter we are calling them as flat, with overall volume growth. The implied deflation we talked about as half a per cent and that was round about -1 per cent in the previous Quarter.

And Groceries Online, again we believe is a strong story. As you say with 9 per cent sales growth, 13 per cent volume growth, actually we are not as aggressive as perhaps some of our competitors are on marketing. Our Online business, this is a function of the fact that we have made lots and lots of incremental improvements in our service proposition, whether it is the checkout walk, whether it is ease of use of the website, whether it is the launch of the mobile app, which now accounts for close on double-digit sales within the Groceries Online business. The improvement in the Click-and-Collect proposition now in over 200 supermarkets. All of these things have added incrementally to the business. So it is absolutely not driven by aggressive vouchering, it is actually driven by an underlying improvement in the service proposition. And I think most independent commentators would suggest that our Groceries Online proposition is market leading given all the changes that we have made. So we are pretty pleased with that performance. It is not driven or spiked by any form of particularly aggressive vouchering and that is certainly not the case in our competitors.

Further question:
Thanks, can I just follow-up on the like-for-like volumes comment. On the face I read that as supermarket like-for-like volumes flat as opposed to grocery like-for-like volumes flat. You are saying that is grocery like-for-like volumes flat then with presumably supermarket like-for-like volumes up given the strong performance in general merchandise and clothing. Is that the correct read?

Answer: Ed Barker
Yeah I think overall, you know overall and for food specifically, broadly flat in Q3 would be the read in terms of like-for-like volume performance. So yeah if you are going to take the 0.1 per cent like-for-like overall you need to weight some of that to the outperformance in GM and clothing first and that is an allocation of 10 or 15 per cent in terms of that volume which would leave the like-for-like therefore slightly negative on the food side offset by that deflation.

Further question:
And just on the deflation, inflation update you are talking about down 0.5 in food or grocery. Then just kind of working out what you said on volumes for supermarkets. That would seem to imply inflation is up in non food, clearly given it is 10 or 15 per cent, then that looks like a noticeable delta. Is that correct?

Answer: Ed Barker
I don't think you can necessarily draw that conclusion from it. What you have seen in GM and clothing is good growth overall, clothing growing at 10 per cent and GM at 3 per cent. What we don't do is split out the inflation impact there.

Nick Coulter
Okay I think we can do the maths, thank you.

Further answer: Ed Barker
In terms of the other question you had was just the space impact on Convenience. And so overall Convenience growth 6 per cent and that includes a positive like-for-like as part of it. So there is space impact in there. The space impact we are seeing of Convenience is getting lower though and that is purely the maths of the rollout of Convenience stores. We were 98 two years ago, 69 last year and we are going to be around the 40 level this year. So you will see that space contribution start to drop off.

Further question
Just to help us. On that 6 per cent, is that mostly space or mostly like-for-like?

Answer: Ed Barker
It is mostly space. But a good positive like-for-like in there as well.

Nick Coulter
Super, thank you.

Question 8

Clive Black, Shore Capital
Morning gentlemen and a Happy New Year to you. Well done on a decent performance. Just one question from me. Just stripping out a lot of the supermarket business, the GM, the clothing, taking into account online and convenience, does it concern you Mike about the grocery momentum in the supermarkets?

Answer: Mike Coupe
No it is in line with what we have set out to do. We are very clear on where we want to invest in our proposition and where we have invested in our proposition, particularly in quality fresh foods, we have seen volume growth and pretty strong volume growth. So we have broken out some specific categories like Taste-the-Difference Party Food to give some colour to that. But it is true across the piece. You would have seen and you can see the market breakdowns and particularly the category performances that there has certainly been a

certain amount of spikiness in other sectors of the market and that might have helped drive some of our competitors performance. But we are very clear about what we are trying to do in our food business and that is particularly investing in the right areas of quality, in the right categories and that is particularly in the added-value fresh food areas. And equally I think you can also see some indications of where we want to take our supermarket business and the success of the 30 Argos concessions in the Sainsbury's stores and also the read-through that that has in the underlying supermarket business, gives us some confidence that we can re-engineer over the medium to long-term how our supermarkets are structured, how our supermarkets perform. So we are definitely in a period of transition, there is no doubt about that, but I think against that context, the business has actually proved to be remarkably robust and you know yourself that we made a lot of quite significant propositional changes over the last year and we are pleased that that is reflected in the kind of volume performance that we have seen in the underlying grocery business.

Further question
You said in the past that through the curve you would expect Sainsbury's to be there and there abouts, amongst the better performers of the superstore groups in the future. Is that expectation hereon very heavily predicated on the benefit of additional footfall from Argos concessions or do you think you can do that on the standalone basis?

Answer: Mike Coupe
Well I think it starts with making sure we have got a core food proposition that works so we should not have to rely on the upside from the Argos concession. It is very much in our minds that we have to be brilliant food retailers, maintain our store standards, simplify the proposition in the way that we have done pretty significantly over the last year and invest in the quality of the products that we sell. We also recognise that we have to make sure we invest in the areas of channel growth that underpin the performance in the Online Grocery business and in the Convenience business. And the non food business, clothing, general merchandise and Argos gives us top spin for the future. So we don't want to, you know holistically it feels like a good story, but we will never get away from the fact that our underlying success will always be built on the foundations of a strong food business.

Clive Black
Okay, thank you for that colour and wish you well.

<u>Question 9</u>

James Tracey, Redburn
Morning Mike and Ed. I have just got a question on how you see the future direction of like-for-like sales growth. So has there been any improvement in like-for-like from -1.1 prior quarter to 0.1 this Quarter? Morrison's have seen an improvement and the industry seems to be better across Christmas. Is this indicative of an inflection point where we should see positive like-for-likes going forward or is it too soon to say? Thank you.

Answer: Mike Coupe
Yeah, I mean I would never call the future, you know I think we live and we put on the face of the Statement there is a certain amount of uncertainty as we look forward. And there are many moving parts. I mean you take the last year, most of what has happened in the last year was not predicted to say the least. So we would stand by that. So I would be cautious and I certainly would not call a point of inflection. The important thing from our perspective is that we have a very clear strategy, we are executing against that strategy and if you unpick the various elements of what we have delivered in the last Quarter, it is fair to say we are pretty pleased with the parts of the strategy that we have actually executed over the last Quarter, not least things like the Argos concession, not least the investment in the quality of the food that we sell. Not least the investment in Online Groceries and Convenience shops.

So we are pretty confident over the medium to long-term that we have got the right strategy in place. To predict what may or may not happen in the future and the point of inflection or otherwise, I don't think we will ever be able to call that until we can look back over several years. So I would not go as far as predicting or calling the term.

Further question
Just a follow-up on that Mike. You seem quite confident in the strategy and it has been fairly consistent over the past time you have been CEO. Where does the uncertainty lie? Could you be a bit more specific about what is more uncertain at the moment?

Answer: Mike Coupe
Yeah I think the consumer outlook, the impact of the movements we have seen in currency or commodity prices, all of those things remain uncertain. So I think the playing field has been well articulated over the last period of time. We would just strike a cautionary tone in reading through some of the market performance or indeed our relative performance to the market and projecting that into the future. There are some quirks about the way that some of the data is also reported by some of the outside agencies. So Kantar and Nielsen you need to be quite careful in terms of their specific days year-on-year. Remember this was a year when because of the leap year, things went back by a couple of days.

Further answer: Ed Barker
Yes it alludes to your note yesterday James. I think you picked up on this movement of two days and the affect that that might have on the numbers.

Further answer: Mike Coupe
I think the other point I would make is that the market generally was very driven by specific categories, not least alcohol and again that is a specific that would pertain to the Christmas period and perhaps the New Year period as well, but isn't necessarily reflective of what the future might look like. So that might be another reason why you would want to be slightly cautious in reading through some kind of significant term shift in the underlying market performance.

James Tracey
Thanks a lot Mike, thanks Ed.

<u>Question 10</u>

Stewart McGuire, Credit Suisse
Hi Mike, hi Ed. I think just a follow-up question to I think it was Nick's question on Online. Can you give us an idea of customer acquisition or whether this growth is from the existing customer base? Clearly it is strong growth and if it is from these customers, it would be interesting to hear how you did that. Thanks.

Answer: Mike Coupe
Well the shape is very much as it has been in the sense that we have seen an ongoing increase in customer numbers. So we have seen order numbers go up by 13 per cent and that would be largely driven by the acquisition of new customers. The other I guess big factor is that we have seen an increase in the penetration of delivery pass and delivery pass is a very good way of keeping your loyal customers more loyal. And so it is a combination of those two factors. So there is no doubt there has been a, how would you put it, a consolidation of the existing customer base driven by an increase in penetration of delivery pass. But you certainly couldn't, we certainly couldn't see those kind of growth numbers without acquiring customers broadly speaking in line with the order growth if you wanted to try and unpick it. And that is because we have done a great job of serving new customers brilliantly well. We haven't gone overboard on vouchering. We certainly have not got to some

of the wilder excesses of some of our competitors. One of the reasons why we have confidence in the business is that it is very much about the underlying proposition and the improvement in the underlying proposition. Not about spending boat loads of marketing on targeted or excessive vouchering. So we believe it is a solid platform, it is driven by a combination of our loyal customers becoming more loyal but also about acquiring new customers.

Further question
Can you help us unpick it a little bit? Clearly the improvements you have made wouldn't be known to new customers. So there must be, if you can give us how that 13 per cent breaks down, would be great?

Answer: Mike Coupe
I don't think I will go further than I have already gone, which is, yes we have increased the penetration of delivery pass, that has certainly had an impact on our loyal customers remaining loyal and becoming more loyal. And secondly, if you are trying to put a number on customer acquisition, if you used order numbers as a proxy for that, you probably would not be far wrong. It will be of the order of 10 per cent without getting specific in terms of numbers.

In terms of the propositional improvements, there is a whole bunch of things we have done in the last year. Click-and-Collect is now in 200 shops, it would have accounted for something like 5-6 per cent of sales over Christmas and that would be a significant improvement in penetration. It allows us to offer more slots to our customers which, even though you might be new to the proposition, the fact you can get the slot you want, would be a reason for being loyal to us and we launched the mobile app and that would have added to customer utility. And of course same day delivery in some shops so we are offering same day delivery in around 30 shops now and that again is part of the proposition that we would want to extend as we look forward.

So there are lots of little things, it is difficult to put your finger on a particular silver bullet. But by just offering more utility, more convenience, making it easier to navigate your way through our website. Making the points of contact more available through Online and Mobile. All of these things add incremental benefits.

Stewart McGuire
Thanks Mike.

Operator
We have no further questions

Mike Coupe
Closing Remarks

Well thank you everybody. Look forward to seeing some, if not all of you over the next Quarter, and if I don't see you in that period of time, no doubt will see you or speak to you at our Prelims in May. Thank you very much and Happy New Year to everybody again.

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