

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

## First Quarter Trading Statement for the 16 weeks to 26 June 2021

Sales ahead of expectations; strategy delivering market share gains

- Q1 like-for-like sales up 1.6 per cent (excl. fuel)
- Total retail sales up 1.6 per cent (excl. fuel), two-year growth 10.3 per cent
- Grocery sales up 0.8 per cent, two-year growth 11.3 per cent
- Groceries Online sales up 29 per cent, two-year growth 142 per cent
- General Merchandise sales down (1.4) per cent, two-year growth 5.6 per cent
- Clothing sales up 57.6 per cent, two-year growth 15.5 per cent
- Reinvesting benefits of stronger sales growth and now expect underlying profit before tax of at least £660m<sup>1</sup>

### Summary and Outlook

Sales of Grocery, General Merchandise and Clothing were all higher than our expectations throughout the quarter. Grocery sales benefited from higher in-home consumption due to continued COVID-19 restrictions. In addition, we continued to outperform competitors and grow market share, reflecting improved value, more innovation and better customer service as we make strong progress in putting food back at the heart of Sainsbury's. General Merchandise sales were lower than last year's elevated levels but ahead of our expectations, despite global supply challenges which are likely to continue for the remainder of the year.

We are using some of the profit benefit of our sales outperformance to accelerate our investment plans across the customer offer, particularly to further improve our value position. Yesterday we announced an additional £50 million investment in targeted price reductions focused on the centre of the plate and everyday essentials. We also have further tough comparables ahead as restrictions continue to ease and customer behaviour normalises. However, we now expect to report underlying profit before tax of at least £660 million in the financial year to March 2022, with progress weighted towards the first half.

	2021/22	
	Q1 YoY	Q1 Yo2Y
<b>Total sales growth</b>		
Grocery	0.8%	11.3%
Total General Merchandise	(1.4%)	5.6%
GM (Argos)	(3.7%)	6.7%
GM (Sainsbury's Supermarkets)	11.2%	0.9%
Clothing	57.6%	15.5%
<b>Total Retail (excl. fuel)</b>	<b>1.6%</b>	<b>10.3%</b>

	2021/22
	Q1 YoY
<b>Like-for-like sales growth</b>	
Like-for-like sales (excl. fuel)	1.6%
Like-for-like sales (incl. fuel)	8.4%

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

"We continue to make good progress against our plan to put food back at the heart of Sainsbury's and have good momentum within the business. Our colleagues are doing a brilliant job of giving great customer service and continuing to adapt as restrictions ease and shopping habits change. Over the coming months we expect to see customer shopping patterns normalise further and we are well set up to serve them however they want to shop.

"We are focused on offering our customers even better value and regularly creating new and exciting products for them to try. From today we are reducing prices by £50 million on everyday products from strawberries and cherries to bacon and potatoes, helping customers make the most of this summer. I'm delighted that customers are responding to the changes we are making and that we are growing our market share.

"Our recent launch of Helping Everyone Eat Better will help customers find great tasting food that is good for them and also good for the planet, an important step on our journey to reduce our impact on the environment".

## Strategic and operational highlights

### Food First

We have made good progress throughout the quarter, building on last year's strong momentum and growing Grocery sales year-on-year despite exceptionally tough comparatives. As part of our plan to put food back at the heart of Sainsbury's, we have given customers better value groceries through *Sainsbury's Quality*, *Aldi Price Match* and have increased our speed of innovation. We are on track to launch 1,900 lines this year, introducing 277 new lines in the quarter.

We are actively encouraging customers to choose food that is better for them and better for the planet through our Helping Everyone Eat Better campaign. We launched our second Nectar 'Great Big Fruit and Veg Challenge', which rewards customers for buying more fruit and vegetables. We have also introduced a new target for over 83 per cent of our food sales to be healthy or better for you by 2025. We are proud to be working with the government on this as the Principal Supermarket Partner for COP26 in Glasgow in November.

As restrictions continue to ease, customers are beginning to return to more normal shopping patterns, with online demand reducing gradually from peak levels and transaction numbers increasing in stores. However, online remains very popular, accounting for 18 per cent of our Grocery sales this quarter against eight per cent in the first quarter of 2019/20. We are encouraged by the number of customers who shopped online with Sainsbury's for the first time during the pandemic who have become loyal customers, shopping online and instore. We continue to gain online market share from our competitors<sup>2</sup>.

#### *Market share gains and improving customer satisfaction:*

- We outperformed the grocery market and all of our superstore competitors on a value and volume growth basis, over one and two years<sup>3</sup>
- Customer satisfaction scores continued to improve and moved further ahead of all of our superstore competitors<sup>4</sup>

#### *Improving real and perceived value for money:*

- We are seeing encouraging early results from our *Sainsbury's Quality*, *Aldi Price Match* campaign, with the 'halo' sales benefit across the rest of the basket exceeding expectations and we have added more lines in the quarter, with a focus on fresh fruit and vegetables. Our Value Index has improved against Aldi quarter-on-quarter
- This progress has been reflected in customer satisfaction scores on Value for Money increasing by four percentage points year-on-year
- Our latest Price Lock commitment covers over 2,300 everyday products and we committed to an additional £50 million of price reductions yesterday across 60 everyday essentials

#### *Increasing the speed of innovation:*

- We are on track to meet our target of tripling the rate of product innovation year-on-year. We launched 277 new lines in the quarter, over 200 of which were in our Summer Editions range
- The relaunch of our significantly expanded Meal Deal has proved very popular with customers, with sales ahead of expectations and Meal Deal customer numbers doubling post launch

#### *Growing Online capacity and extending routes to market:*

- Groceries Online order numbers have reduced gradually from peak levels as more customers feel comfortable returning to shopping in stores but demand remains high. Sales were up 29 per cent year-on-year during the quarter and up 142 per cent on a two-year basis
- Customer satisfaction in Online strengthened, outperforming all of our superstore competitors during the quarter and we continue to gain online market share
- Productivity of online fulfilment continues to improve; item picking rates (IPH) increased 42 per cent year on year and 11 per cent on a two-year basis
- On Demand sales continue to grow and surpassed expectations. Our 60-minute delivery service Chop Chop is now available in 49 stores and Uber Eats and Deliveroo are now in 230 stores, an addition of 42 stores in the quarter

## *Expanding physical points of distribution and adapting supermarket formats:*

- Our Convenience business continues to recover as lockdown eases and customers return to city centres. Total sales were up year-on-year, driven by recovery in our urban convenience stores and *Food on the Move* stores
- Our trial with Carluccio's is progressing well and customers are enjoying a Caffè Carluccio's in our St Albans supermarket and a Carluccio's counter in our Leamington Spa supermarket
- We added three more Neighbourhood Hub stores during the quarter, bringing the total to seven

## **Brands that Deliver**

- Argos sales were up 6.7 per cent on a two-year basis, ahead of expectations and guidance, although down year-on-year against exceptionally tough comparatives of the Spring 2020 lockdown when many competitors were closed and good weather brought forward seasonal sales
- Home and Furniture sales were strong, boosted by the transition to the Habitat brand and good performance in bedroom and upholstery categories, offset by declines in some categories that performed exceptionally well during lockdown last year such as laptops, TVs, toys, office furniture and outdoor and seasonal products. Global supply challenges have also limited customer choice in a number of areas
- In June we launched our new Argos brand commitment, "Ready For All Life's Moments". The new campaign is all about helping customers feel ready to get the most out of life and will broaden the brand's appeal by focussing on desirable, stylish products, top brands and the compelling reasons to shop with Argos
- Sainsbury's General Merchandise performed well, with double-digit sales growth driven by gifting, events and homeware
- *Tu* clothing has recovered strongly. Sales were up 57.6 per cent year-on-year and full price sales up 95 per cent, with strong growth in seasonal and womenswear ranges. We gained market share on both a value and volume basis<sup>5</sup>
- The Nectar Avios partnership with British Airways has landed well with good levels of customer engagement and the number of digital Nectar app users continues to grow
- Financial Services has seen a recovery in consumer demand for credit in the quarter, particularly cards and loans, albeit still below pre-COVID-19 levels, and we remain confident in our prudent provisioning levels and our strong capital position

## **Save to Invest**

- We are on track to reduce our retail operating costs to sales ratio by more than 200 basis points by 2023/24, delivering major structural cost savings to fund investment in our core customer offer
- We are making good progress with our Argos transformation programme. Our cost reduction programme is on track and we opened our first Local Fulfilment Centre in Bristol in June - a key milestone in creating the new fulfilment model
- We opened 20 Argos stores inside Sainsbury's supermarkets in the quarter bringing the total to 356 and closed 14 Argos standalone stores bringing the total to 387
- In supply chain and logistics, we continue to make progress in delivering the transformation of our UK-wide network to deliver structural cost savings, including previously announced depot consolidation

## **Plan for Better**

- We held an ESG event on 17th June where we set out our Plan for Better targets. Further details can be found at: <https://www.about.sainsburys.co.uk/investors/results-reports-and-presentations>
- We have recently announced that 520 Sainsbury's stores will offer a recycling system for all flexible plastics and we are the largest supermarket to offer a recycling service of this scale

Detailed sales information

	2020/21				2021/22	
	Q1	Q2	Q3	Q4	Q1 YoY	Q1 Yo2Y <sup>6</sup>
<b>Like-for-like sales growth</b>						
Like-for-like sales (excl. fuel)	8.2%	5.1%	8.6%	11.3%	1.6%	
Like-for-like sales (incl. fuel)	(2.3%)	(0.5%)	3.2%	3.2%	8.4%	
<b>Total sales growth</b>						
Grocery	10.5%	5.1%	7.4%	7.1%	0.8%	11.3%
Total General Merchandise	7.2%	7.6%	6.0%	17.6%	(1.4%)	5.6%
<i>GM (Argos)</i>	10.7%	10.9%	8.4%	18.1%	(3.7%)	6.7%
<i>GM (Sainsbury's Supermarkets)</i>	(9.3%)	(6.9%)	(5.4%)	14.8%	11.2%	0.9%
Clothing	(26.7%)	(7.5%)	0.4%	4.2%	57.6%	15.5%
<b>Total Retail (excl. fuel)</b>	<b>8.5%</b>	<b>5.2%</b>	<b>6.8%</b>	<b>9.2%</b>	<b>1.6%</b>	<b>10.3%</b>
Fuel	(56.1%)	(29.3%)	(29.0%)	(38.5)%	95.1%	(14.4%)
<b>Total Retail (incl. fuel)</b>	<b>(2.1%)</b>	<b>(0.4%)</b>	<b>1.7%</b>	<b>1.6%</b>	<b>8.5%</b>	<b>6.2%</b>

Tim Fallowfield, Company Secretary and Corporate Services Director, was responsible for the disclosure of this announcement.

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**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 conference call will take place at 08:15. To listen to the audio webcast we recommend that you register in advance. To do so, please visit <https://www.about.sainsburys.co.uk/investors/results-reports-and-presentations> prior to the event and follow the on-screen instructions. A transcript will be available following the conference call.

Sainsbury's will announce its FY21/22 Interim Results on 4 November 2021.

<sup>1</sup> 28 April 2021: "Comfortable with consensus forecasts of around £620 million"

<sup>2</sup> NielsenIQ Panel, Total FMCG excl. Kiosk & Tobacco, 12 weekly data to 29 May 2021, Market Universe - Total Outlets

<sup>3</sup> NielsenIQ Panel volume growth YoY and Yo2Y. Total FMCG (excluding Kiosk & Tobacco), 12 weeks to 19 June 2021, 2020 and 2019. Market Universe: Total Outlets

<sup>4</sup> Competitor benchmarking survey, Supermarkets and Groceries Online. Rolling 12 weekly scores, Mar-Jun 2021 data

<sup>5</sup> Kantar 24 week Total Clothing, Footwear & Acc. Volume share data to 30 May 21

<sup>6</sup> Q1 21/22 vs Q1 19/20