

## Third Quarter Trading Statement for the 15 weeks to 2 January 2021

### THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

#### Strong Q3 and Christmas performance

- Christmas like-for-like sales up 9.3 per cent<sup>1</sup>
- Q3 like-for-like sales up 8.6 per cent (excl. fuel), with total retail sales up 6.8 per cent (excl. fuel)
- Grocery sales grew 7.4 per cent, with Groceries Online up 128 per cent
- General Merchandise sales grew by 6.0 per cent, with Argos sales up 8.4 per cent
- Clothing sales grew by 0.4 per cent
- Total digital sales grew by 81 per cent, 44 per cent of total sales
- We now expect, after forgoing business rates relief of £410 million, to report underlying profit before tax (UPBT) of at least £330 million in the financial year to March 2021 (financial year to March 2020: £586 million)

**Simon Roberts, Chief Executive of J Sainsbury plc, said:** “As we enter our third phase of tighter restrictions and national lockdowns, my number one priority remains keeping our colleagues and customers safe. The last few months have been really tough for many people and we are all dealing with a lot of change and uncertainty again. Given these challenging circumstances, we really focused on doing the best possible job for our customers this Christmas. I would like to say a huge thank you to every one of my colleagues, including the 68,000 colleagues we have recruited into Sainsbury’s and Argos since March, for the outstanding service you gave our customers.

“We made a strong start to delivering our Food First plan and we are also clear on the opportunities to further improve our offer as we look ahead for 2021. At Christmas we focused on offering our customers great prices, great quality and great service and I feel really proud that Sainsbury’s customer satisfaction scores were the highest ever in the key Christmas week. We have started the new year with a strong value offer, with Price Lock currently on over 2,500 everyday products.

“Many customers had to change their Christmas plans at the last minute and we sold smaller turkeys and more lamb and beef than normal. While people had smaller gatherings, they still treated themselves, with *Taste the Difference* sales up 11 per cent. Premium champagne sales were up 52 per cent, *Taste the Difference* party food was popular throughout December and people did more home baking than usual with mincemeat sales up 24 per cent. Customers still wanted New Year’s Eve at home to feel special and we sold a record number of steaks.

“More customers bought their food online than ever before and we delivered 1.1 million orders in the ten days to Christmas, double the number of last year. Argos sales were up over eight per cent with Fast Track home delivery and Click & Collect beating expectations for Black Friday and Christmas.

“We are delighted that our ‘Help Brighten a Million Christmases’ campaign raised £6 million in just two weeks for over 800 local charitable partners as well as Comic Relief and FareShare. We are also creating another £1 million local community fund for all our stores to donate to charities and other good causes in their local area and we are continuing to support the government’s free school meal vouchers scheme.

“We remain focused on delivering the plan we outlined in November and look forward to providing a further update on early progress at our Preliminary Results in April.”

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<sup>1</sup> Total retail (exc. Fuel) like-for-like sales, 9 weeks from 1 November 2020 to 2 Jan 2021

## Outlook

Grocery, General Merchandise and Clothing sales were stronger than our expectations throughout the quarter and particularly since the start of England's second national lockdown and subsequent increased restrictions throughout the UK. General Merchandise and Clothing gross margins additionally benefited from better than anticipated full price sales, driven by customers shopping earlier for Christmas and successful changes to our Black Friday trading strategy.

The impact of the pandemic on sales, colleagues and costs adds additional uncertainty to our financial outlook for the remainder of the year. However, after forgoing business rates relief of £410 million<sup>2</sup> we now expect to report underlying profit before tax (UPBT) of at least £330 million in the financial year to March 2021 (financial year to March 2020: £586 million).

Like-for-like sales growth	2019/20				2020/21		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Like-for-like sales (exc. fuel)	(1.6)%	(0.2)%	(0.7)%	1.3%	8.2%	5.1%	8.6%
Like-for-like sales (inc. fuel)	(1.0)%	(0.4)%	(1.1)%	1.3%	(2.3)%	(0.5)%	3.2%

Total sales growth	2019/20				2020/21		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Grocery	(0.5)%	0.6%	0.4%	2.0%	10.5%	5.1%	7.4%
Total General Merchandise	(3.1)%	(2.0)%	(3.9)%	(1.3)%	7.2%	7.6%	6.0%
GM (Argos)				0.4%	10.7%	10.9%	8.4%
GM (Sainsbury's Supermarkets)				(8.1)%	(9.3)%	(6.9)%	(5.4)%
Clothing	(4.5)%	3.3%	4.4%	2.5%	(26.7)%	(7.5)%	0.4%
<b>Total Retail (excl. fuel)</b>	<b>(1.2)%</b>	<b>0.1%</b>	<b>(0.7)%</b>	<b>1.3%</b>	<b>8.5%</b>	<b>5.2%</b>	<b>6.8%</b>
Fuel				4.9%	(56.1)%	(29.3)%	(29.0)%
<b>Total Retail (inc. fuel)</b>	<b>(0.6)%</b>	<b>0.1%</b>	<b>(0.9)%</b>	<b>1.9%</b>	<b>(2.1)%</b>	<b>(0.4)%</b>	<b>1.7%</b>

## Strategic and operational highlights

We published a Strategy Update with our Interim Results in November, focused on putting food back at the heart of Sainsbury's and are making encouraging progress towards this:

### Food First

- We delivered strong food sales through the quarter. Basket sizes increased as customers bought more of their shopping from Sainsbury's and we grew our Food market share
- We continue to lower prices on the products that matter most to customers, with a particular focus on fresh foods. Last week we launched our biggest ever Price Lock, covering over 2,500 products
- Colleagues delivered excellent customer service throughout the key Christmas weeks and customers felt safe shopping with us. Scores in availability and friendliness of colleagues improved by 10 percentage points and six percentage points respectively year-on-year

<sup>2</sup> The timing and mechanic by which we will forgo business rates relief is still to be determined but we expect to recognise the forgoing of £410 million business rates relief relating to the financial year to March 2021 to UPBT in this financial year (to March 2021).

- We are focused on offering exciting new products and bringing them to our customers faster. Christmas innovations this year included *Taste the Difference Pink Prawn Roses*, *Pigs in Blankets Christmas Tree* and flavoured spirits such as *Taste the Difference Blackfriars Winterberry & Clementine Gin*
- *Taste the Difference* performed well over the quarter, with sales up more than 11 per cent and we launched over 60 new *Taste the Difference* Christmas products. Our meat-free range Plant Pioneers also outperformed the market and customers bought more of our vegan centrepieces such as our *No Turkey Parcels* and our *No Beef Wellington*
- Groceries Online sales grew by 128 per cent year-on-year, accounting for 18 per cent of grocery sales. We have more than doubled the number of slots we can offer for home delivery and Click & Collect; Click & Collect accounted for 24 per cent of online sales in the key Christmas week. We have further increased the productivity of our online operation: as we build order capacity from broadly the same fixed asset base, orders per van continue to increase and pick rates have returned to pre-COVID levels
- SmartShop self-scan accounted for 28 per cent of sales in stores with handsets, leading to strong customer satisfaction scores in ease and speed of checkout
- We continue to invest to have the right stores in the right locations for customers. We opened six new stores in the quarter, including two new Neighbourhood Hub stores in Bishop's Waltham and Midhurst

## Brands that Deliver

- Argos sales grew by over eight per cent in the quarter, with nearly 90 per cent of sales starting online and Fast Track delivery grew by 62 per cent
- Argos growth was driven by a strong performance across a wide variety of categories, with particularly good growth in Christmas gifting, gaming consoles and TVs. This was despite a Black Friday performance which reflected a continued reduction in promotional activity in favour of lower everyday prices
- Tu Clothing has grown market share in both value and volume, with strong online growth
- 6.4 million people are now using digital Nectar and Nectar participation at Argos remains ahead of expectations
- Financial Services recovered from first half losses to book a profit in the third quarter. We continue to expect to deliver an underlying profit in the second half of the financial year to March 2021, driven by savings pricing, benefits from cost actions and some cautious rebuilding of lending volumes. The balance sheet remains strong with capital buffers exceeding levels reported at our Interim Results in November. Levels of arrears are lower than expected

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 09:15. 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 Preliminary Results for the financial year to March 2021 on 28 April 2021.