

Third Quarter Trading Statement for the 16 weeks to 7 January 2023

Strategy delivering volume market share gains and record Christmas

Trading Highlights

Christmas and Q3 Grocery volume performance ahead of the market for the third consecutive year¹, driven by investment in value, innovation, service and availability. General Merchandise growth stronger than expected, reflecting market share gains² as customers trusted Sainsbury's and Argos for value and the speed and certainty of Argos Fast Track delivery and Click & Collect.

- Q3 retail (exc. fuel) sales up 5.2%. Like-for-like sales up 5.9%, reflecting inflation and relatively resilient volume trends
- Q3 Grocery sales up 5.6% and General Merchandise sales up 4.6%. Grocery sales 12.5% ahead of pre-pandemic levels
- Christmas sales up 7.1%, with Grocery sales up 7.1%, General Merchandise sales up 7.4% and Clothing sales up 5.1%
- Profits expected to be towards upper end of guidance range £630m to £690m³
- Retail free cash flow expected to be around £600m, ahead of previous guidance of at least £500m⁴

	YoY Sales Growth		Yo3Y Sales Growth	
	Q3 16 weeks to 7 Jan 23	Christmas 6 weeks to 7 Jan 23	Q3 16 weeks to 7 Jan 23	Christmas 6 weeks to 7 Jan 23
Total sales performance				
Grocery	5.6%	7.1% ⁵	12.5%	14.7%
General Merchandise	4.6%	7.4%	(6.9%)	(2.2%)
<i>Argos</i>	4.5%	7.1%	(5.0%)	(0.4%)
<i>Sainsbury's GM</i>	5.4%	9.1%	(15.6%)	(10.0%)
Clothing	1.3%	5.1%	(0.4%)	14.6%
Total Retail (exc. fuel)	5.2%	7.1%⁵	6.7%	9.6%
Like-for-like sales (exc. Fuel)	5.9%			

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

"We delivered the best possible Christmas for customers as millions of households managed their budgets differently, hosting larger gatherings again and treating themselves at home. Customers shopped early, buying Christmas treats and fizz more than once and looked for deals, taking advantage of Black Friday and other seasonal offers. Argos offered great value and quality and, as train and postal strikes disrupted the country, customers appreciated its reliability and convenience.

"We prioritised keeping our prices low and giving our customers great value at Christmas. We went bold on the traditional fresh turkey roast dinner with all the trimmings and dessert, which was the best value in the market at under £4 per head. Sales were also boosted by the World Cup as people celebrated more at home. Our determined focus on delivering the best value alongside new and exciting festive food plus outstanding customer service and availability meant we delivered record sales, and market outperformance at both Sainsbury's and Argos.

"We understand money will be exceptionally tight this year particularly as many people wait for Christmas bills to land. We are working together with our suppliers to battle cost inflation and we're keeping prices low again this year with our biggest value campaign yet in January, price matching Aldi on around 300 of our most popular products.

"Finally, a huge thank you to all my colleagues who really do make the difference for our customers. We announced a market leading pay rise for our front line colleagues last week to £11 per hour (£11.95 in London) and an additional six months of free food in stores and depots. I am hugely grateful to all our team and suppliers for their hard work and support in delivering these results."

Outlook

Investment in value, innovation, service and product availability delivered stronger volume trends across Grocery and General Merchandise, particularly at Christmas. We will additionally benefit from finance costs around £15 million lower than previously guided, broadly offset by the cost of a significant colleague pay increase ahead of the year end annual pay review. As a result, while we remain cautious on the consumer backdrop, we now expect underlying profit before tax for the year to March 2023 to be towards the upper end of the guidance range of £630 million to £690 million. We additionally expect to generate retail free cashflow of around £600 million, ahead of our previous guidance of at least £500 million.

Strategic Highlights

Food First: Our strategic investments in value, innovation, service and availability have driven volume market share gains over Q3 and the key Christmas period⁶, with customers choosing Sainsbury's to help them create a special celebration.

Value:

- We continue to inflate behind the market⁷ and have improved our value position against all key competitors⁸. In November we accelerated our value plan and announced a further £50 million investment in low prices by March 2023, bringing the total investment to £550 million
- We delivered our most competitive Christmas ever, leading the market with our great value Christmas roast dinner which was priced at less than £4 per person. We performed strongly over Christmas on key fresh food products, with market share outperformance in Meat, Fish and Poultry, and Fruit and Vegetables⁹
- Our Own Brand ranges performed strongly, as customers looked for great value as well as festive treats, with overall sales growth of 10 per cent,¹⁰ and our entry price product range was the fastest growing sub-brand
- We have extended Aldi Price Match this January, now bigger than ever with around 300 products, including more than 180 fresh products and important household staples such as nappies, cereals and canned soups

Innovation

- We launched 300 new products for Christmas, including 145 Taste the Difference products and celebrated many Taste Test wins. Standout new products included our Taste the Difference Mulled Cider Glazed Gammon Joint, Salted Caramel and Belgian Chocolate Wreath and Cherry and Almond Panettone
- Taste the Difference outperformed our full choice supermarket competitors' premium ranges¹¹, with sales up 10 per cent year on year and 27 per cent over three years¹², as customers treated themselves while celebrating Christmas at home
- Taste the Difference Mince Pie sales increased 22 per cent, Taste the Difference Panettone sales increased 49 per cent, and we had record sales for Champagne and prosecco as customers shopped our market leading offers on sparkling wines¹³
- In January we launched Flourish, a new brand with a focus on helping customers to eat better, with tasty and healthy options such as salads, ready meals, fresh soups and smoothies

Service:

- We invested in service and availability to deliver a great Christmas offer, recruiting over 25,000 new colleagues to Sainsbury's and Argos this Christmas and working more closely with our suppliers than ever to deliver significant improvements in availability. This supported leading supermarket customer satisfaction scores¹⁴
- We released Groceries Online Christmas home delivery slots five weeks earlier than last year and delivered on Christmas Eve for the first time. Customer satisfaction in Groceries Online for Christmas week improved against last year¹⁵
- We brought forward our annual pay increase and last week announced a further £185 million investment in colleague pay and benefits, increasing the base rate for our retail colleagues to £11 per hour nationally and £11.95 in London from February

Brands that Deliver: Argos continues to gain market share² in a tough general merchandise market, reflecting a reputation for value, great product availability and the certainty for customers of Argos for Fast Track home delivery and Click & Collect fulfilment.

- Argos performed exceptionally well over the key Christmas week as customers turned to our stores in supermarkets for great value and reliable, last minute Christmas gifting
- Sales of technology products were particularly strong, driven by improved availability and promotional activity in the run up to the Football World Cup. Household categories performed well as customers bought energy saving items such as air fryers and heated laundry airers and Habitat branded products outperformed in home and furniture
- We started our Black Friday awareness campaign earlier this year and delivered sales ahead of last year, with over 120 million visits to the Argos website over the campaign period¹⁶ and 15,000 orders processed per hour on Black Friday itself
- Cold weather towards the end of the quarter drove an uplift in sales for *Tu* Clothing, with knitwear and Christmas pyjamas particularly popular with customers
- We helped customers to boost their Nectar point balances with enhanced personalised product offers on the Nectar app during the lead up to Christmas and almost 900,000 customers redeemed their points in Sainsbury's during Christmas week
- We expanded the Nectar360 Retail Media network, announcing an innovative Connected TV partnership with Channel 4
- Financial Services has benefited from a continued increase in demand, offset by increased provisioning due to the subdued economic outlook

Plan for Better:

- We launched our Nourish the Nation community programme in November through which we are donating £4 million to Comic Relief, FareShare and other key redistribution partners to support local community food projects
- We continue to work in partnership with Neighbourly and over the Christmas period¹⁷ our stores connected with local partners to redistribute over 930,000 meals to those in need
- This festive season, we removed single-use plastic lids from our Christmas own-brand brandy butter and brandy cream range, saving 679,000 pieces of plastic. We also replaced plastic with foil trays for turkey crowns, saving over 210,000 pieces of plastic

Like-for-like sales performance

	2021/22				2022/23 YoY		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Like-for-like sales (excl. fuel)	1.6%	(1.4%)	(4.5%)	(5.6%)	(4.0%)	3.7%	5.9%
Like-for-like sales (incl. fuel)	8.4%	3.0%	0.6%	2.7%	2.9%	7.7%	6.8%

Total sales performance

	2021/22				2022/23 YoY			2022/23 Yo3Y		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1	Q2	Q3
Grocery	0.8%	0.8%	(1.1%)	(1.6%)	(2.4%)	3.8%	5.6%	8.7%	10.1%	12.5%
Total General Merchandise	(1.4%)	(11.4%)	(16.0%)	(21.1%)	(11.2%)	1.2%	4.6%	(6.2%)	(3.6%)	(6.9%)
GM (Argos)	(3.7%)	(12.0%)	(16.1%)	(20.4%)	(10.5%)	1.6%	4.5%	(4.5%)	(0.9%)	(5.0%)
GM (Sainsbury's)	11.2%	(8.0%)	(15.7%)	(24.1%)	(14.6%)	(1.3%)	5.4%	(13.8%)	(15.5%)	(15.6%)
Clothing	57.6%	9.2%	(2.7%)	(9.3%)	(10.1%)	(0.2%)	1.3%	3.9%	0.8%	(0.4%)
Total Retail (excl. fuel)	1.6%	(1.7%)	(5.3%)	(6.2%)	(4.5%)	3.1%	5.2%	5.4%	6.7%	6.7%
Fuel	95.1%	36.1%	47.5%	80.1%	48.3%	29.1%	12.2%	26.9%	24.2%	16.2%
Total Retail (incl. fuel)	8.5%	2.7%	(0.1%)	2.2%	2.5%	7.2%	6.2%	8.9%	9.6%	8.0%

Notes

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results referred to in these forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

A webcast presentation and live Q&A will be held at 9:30 (GMT). This will be available to view on our website at the following link: <https://sainsbury-s-q3-trading-statement-2022-23.open-exchange.net/registration>

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

Sainsbury's will announce its Preliminary Results for the year ending 4 March 2023 on 27 April 2023.

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¹ Kantar Worldpanel division, Christmas = 4 weeks to 25 December 2022, 26 December 2021, 27 December 2020 and 29 December 2019. Total Grocery volume growth. Q3= 12 weeks to 25 December 2022, 26 December 2021, 27 December 2020 and 29 December 2019.

² BRC data, 5 weeks to 31 Dec 2022. Argos differential, Total NFNC (exc. H&B & stationery) sales

³ Underlying profit before tax for the financial year to March 2023

⁴ Retail free cash flow for the financial year to March 2023

⁵ Stores were open on Boxing Day 2022, but closed on Boxing Day 2021, contributing 0.9% Grocery sales growth to the 6 week Christmas period

⁶ Kantar Worldpanel division, Christmas = 4 weeks to 25 December 2022 vs 26 December 2021. Q3 = 12 weeks to 25 December 2022 vs 26 December 2021

⁷ Nielsen panel data, Top 100 SKUs by retailer. Average Selling Price YoY growth. 52 weeks to 10 December 2022

⁸ Value Reality, Sep-Jan 2023 vs Sep - Jan 2022; Edge by Ascential; internal modelling

⁹ Nielsen EPOS YoY unit growth: Sainsbury's growth vs Total Outlets growth for Meat, Fish Poultry and Produce categories. 4 weeks to 24 December 2022

¹⁰ Own Brand sales growth on a YoY basis: 6 weeks to 7 January 2023

¹¹ Kantar world panel - Premium tier value performance 4 weeks to 25 December 2022

¹² Taste the Difference sales growth on a YoY and Yo3Y basis: 4 weeks to 24 December 2022

¹³ Taste the Difference Mince Pies and Panettones sales growth on a YoY basis: 16 weeks to 7 January 2023

¹⁴ Competitor benchmarking survey, Q3 22/23 Supermarket CSAT scores 12 weeks to 10 December 2022.

¹⁵ Sainsbury's CSAT programme, Lettuce Know, Groceries Online overall score YoY for 1 week ended 24 December 22 vs 25 December 21

¹⁶ Black Friday Campaign: 2 to 29 November 2022

¹⁷ Christmas period = December