

Third Quarter Trading Statement for the 15 weeks to 4 January 2020

Strong grocery performance and online growth as we create one multi brand, multi-channel business

- Grocery sales grew 0.4 per cent, with Groceries Online up 7.3 per cent
- Clothing sales grew by 4.4 per cent
- General Merchandise sales declined by 3.9 per cent
- Total online sales grew by 5 per cent
- Total retail sales declined by 0.7 per cent (excl. fuel), with like-for-like sales down 0.7 per cent (excl. fuel)

Mike Coupe, Chief Executive of J Sainsbury plc, said: “We gave our customers a great combination of quality food at good prices this Christmas and we delivered a standout performance operationally. We have a real sense of momentum in Sainsbury’s and investment in our stores and improvements to service and availability have led to our highest customer satisfaction scores of the year.

“Our digital investments are also paying off and over 20% of our business was online in the quarter. Groceries Online had record order numbers throughout the Christmas period and customers are increasingly choosing to shop with SmartShop in our supermarkets. Argos had its biggest digital Black Friday to date and record sales through mobile and via Argos *Click and Collect*¹. 32 million customers shopped with us across Sainsbury’s and Argos in the key Christmas week.

“The colder weather helped to deliver strong clothing sales in the quarter and our Christmas, party and gifting ranges were all popular with customers. Argos outperformed the market in consumer electronics, but the toy and gaming markets declined year on year.

“Thank you to all of our colleagues for working so hard over this key quarter and for delivering great service and availability for our customers in stores and online.”

Outlook

Retail markets remain highly competitive and promotional and the consumer outlook continues to be uncertain. However, we are well placed to navigate the external environment and are executing well against our strategy.

| Total sales growth | 2018/19 | | | | 2019/20 | | |
|----------------------------------|-------------|-------------|---------------|---------------|---------------|-------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| Grocery | 0.5% | 2.0% | 0.4% | (0.6)% | (0.5)% | 0.6% | 0.4% |
| General Merchandise | 1.7% | 1.2% | (2.3)% | 1.5% | (3.1)% | (2.0)% | (3.9)% |
| Clothing | 0.8% | (3.4)% | (0.2)% | (1.6)% | (4.5)% | 3.3% | 4.4% |
| Total Retail (excl. fuel) | 0.8% | 1.7% | (0.4)% | (0.2)% | (1.2)% | 0.1% | (0.7)% |
| Total Retail (inc. fuel) | 3.2% | 3.9% | 0.8% | 0.0% | (0.6)% | 0.1% | (0.9)% |

| Like-for-like sales growth | 2018/19 | | | | 2019/20 | | |
|---------------------------------|---------|------|--------|--------|---------|--------|--------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| Like-for-like sales (exc. fuel) | 0.2% | 1.0% | (1.1)% | (0.9)% | (1.6)% | (0.2)% | (0.7)% |
| Like-for-like sales (inc. fuel) | 2.6% | 3.4% | 0.3% | (0.5)% | (1.0)% | (0.4)% | (1.1)% |

¹ Paid online

Strategic and operational highlights

We have prioritised six key areas of our business where we can help our customers live well for less:

Be competitive on price

- We offered great value on key food items this Christmas, including *by Sainsbury's* turkeys crowns for £9
- We continue to develop our entry price point “owned brand” lines and now offer 160 products across 15 brands. We were the only traditional retailer to show growth in value own label sales over the period²
- During January, we are cutting the price of some of our most popular produce lines to 60p, including apples, mangoes and avocados and, in our 5th Price Lockdown event, we are holding the price of around 1,200 products that customers buy from us most frequently for at least 8 weeks
- While the general merchandise market is challenging, Argos delivered its biggest ever digital channel trading day on Black Friday with 12 orders per second in the peak hour
- Clothing had a strong quarter, with full price sales up nearly 8%. Womenswear was particularly popular, including a sell-out range of novelty Christmas jumpers

Offer distinctive products and new categories

- *Taste the Difference* volumes increased over the quarter, and we launched 70 new *Taste the Difference* Christmas products
- Christmas Party Food performed well and we sold more products than ever through Christmas Food Ordering
- We have launched a new own brand ‘Plant Pioneer’ brand, adding 31 new products to our range of over 200 meat alternatives. New products include banana blossom, a popular alternative to white fish, Smokey Vacon Rashers and meat-free Southern Fried Bites. Our meat-free ranges outperformed the market over the quarter
- We now have 100 Beauty Halls in our stores and more than 2,000 health and beauty lines available at Argos

Make shopping convenient, supported by great service

- We have invested in over 2,600 self checkouts, leading to improvements in ease and speed of checkout customer satisfaction scores of nearly 4 percentage points and 5 percentage points respectively year on year
- Convenience had its second biggest ever trading day on Christmas Eve and also its highest customer satisfaction scores in the run-up to Christmas
- SmartShop self-scanning technology, which allows customers to skip the checkout queue, is now available in over 500 supermarkets. On average, 15% of sales now go through SmartShop in stores where handsets are available
- A record 385,000 customers ordered via Groceries Online in the week before Christmas
- Argos *Click and Collect*³ grew by nearly 16% and Argos *Fast Track* delivery grew year on year by 3 per cent
- Sainsbury's won the Gold Award from Investors in People for the 4th time in a row, the only retailer to have reached such a high standard for this length of time
- Colleagues delivered excellent customer service throughout the key Christmas weeks, with customer satisfaction scores in friendliness and knowledge of colleagues improving by 1.5 percentage points and 3 percentage points respectively year on year

Drive efficiency to invest in the customer offer

² Kantar 12 week data to 29th December 2019

³ Paid Online

- We invested in 127 supermarkets and 93 convenience stores in the quarter and are on track to deliver improvements to 450 supermarkets and 200 convenience stores by mid-March
- We opened 10 Argos stores in Sainsbury's supermarkets, bringing the total to 298
- We added six new convenience stores in the quarter, including our first "large convenience" format store at Woodhall Spa
- We opened two new supermarkets in South Woodham Ferrers, Essex and Olney near Milton Keynes

Grow connected services

- 3.4 million customers have signed up to our Nectar app since its launch in October
- We are making good progress with our refreshed strategy to offer simple, digitally-led financial services and we have seen growth in Argos Financial Services (AFS) sales and credit cards

Provide a seamless customer experience

- We served a total of 32 million customers across Sainsbury's and Argos in the week before Christmas
- Including Argos, over 20 per cent of sales across the business started online in the quarter and total online sales grew by over 5% year on year
- Argos stores in Sainsbury's supermarkets performed particularly well as customers value the convenience of being able to do more of their shopping under one roof

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Notes

- A. All sales figures contained in this trading statement are stated including VAT from 2018/19 and in accordance with IFRS 15
- B. 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
- C. A conference call will take place at 09:00. 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> prior to the event and follow the on-screen instructions. To view the transcript of the conference call go to <https://www.about.sainsburys.co.uk/investors> and follow the on-screen instructions in the results, reports and presentations section.

Sainsbury's will announce its Preliminary Results for 2019/20 on 30 April 2020